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### **President's Message**

The Institute of Regional Studies strives to publish high quality research on regional topics of current interest in its quarterly *Regional Studies*. I am proud to continue this legacy by catching up with back issues and further improving the quality and production of *Regional Studies*. This is only possible with the competence of the reconstituted Editorial Board, with Mir Annice Mahmood as Consulting Editor and Aarish U. Khan as Editor. Resultantly, over a period of time, we have considerably increased our readership not only across borders but also across class.

Our most recent cutting-edge endeavor in this Special Issue is to incorporate Urdu-language abstracts. The English-language abstracts continue and both versions are promptly updated to our website. Our Urdu translations are in pursuance of Article 251 of the Constitution of Pakistan related to the promotion of the use of Urdu for official and other purposes. We are aspiring to make some of our publications bilingual in due course of time.

We regularly update the IRS website and it receives numerous virtual visitors from all parts of Pakistan and from several other countries. We have also started putting up a news summary of our whole region of South and Southwest Asia on our website on a daily basis. Please do visit [www.irs.org.pk](http://www.irs.org.pk).

Your visits and comments are most welcome.

**Rukhsana Qamber, Ph.D**

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# ARCHITECTURE OF CYBERSPACE AS AN EVOLVING SECURITY PARADIGM IN SOUTH ASIA: PAKISTAN-INDIA CYBER SECURITY STRATEGY

MUHAMMAD BAQIR MALIK\*

## Abstract

*This paper aims to develop a preliminary hypothesis for the South Asian region to identify the relationship between technology and national security. The paper studies the evolving trends of technology that have changed the security paradigm. To manage the security risk in a complex and dynamic digital environment, a new set of strategy and thinking is needed both in Pakistan and India to complement the traditional security approaches. Cybernetics realism is the proposed theoretical model for national security in South Asia in the age of cyber technology. The paper is divided into three sections. The first section discusses the theoretical framework of this evolving security paradigm, which examines the working mechanism of cybernetics realism in South Asia as a strategic power. The second section discusses the challenges of the new security paradigm to Pakistan and India and their policies to counter these challenges. The third section tests the proposed hypothesis, i.e., whether cyberspace is evolving as a security paradigm in South Asia. The paper ends with a conclusion and some recommendations.*

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سائبرسپیس کا قومی سلامتی نظریے کے طور پر ارتقاء اور پاکستان  
 اور بھارت کی سائبرسلامتی حکمت عملی  
 محمد باقر ملک

خلاصہ

اس مقالے کا مقصد جنوبی ایشیا کے لئے ٹیکنالوجی اور قومی سلامتی کے مابین تعلق کی شناخت کے لئے ایک ابتدائی نظریہ پیش کرنا ہے۔ مقالہ ٹیکنالوجی کے ارتقائی عمل کے تناظر میں بدلتے ہوئے سلامتی نظریے کا احاطہ کرتا ہے۔ ایک پیچیدہ اور متحرک ڈیجیٹل ماحول میں سلامتی کے خطرات کا تدارک کرنے کے لئے پاکستان اور بھارت کو روایتی سلامتی کے نقطہ نظر کو تقویت دینے کے لئے ایک نئی حکمت عملی اور سوچ کی ضرورت ہے۔ 'سائبرنٹیکس ریٹلزم' سائبرنٹیکنالوجی کے دور میں جنوبی ایشیا میں قومی سلامتی کیلئے تجویز کردہ ایک نیا نظریاتی خاکہ ہے۔ یہ مقالہ تین حصوں میں تقسیم ہے۔ پہلا حصہ اس ارتقاء پذیر سلامتی کے نظریے کے نظریاتی فریم ورک پر تبادلہ خیال کرتا ہے اور جنوبی ایشیا میں سائبرنٹیکس ریٹلزم کے عمل کو ایک تزویراتی طاقت کے طور پر جانچتا ہے۔ دوسرا حصہ پاکستان اور بھارت کو اس نئے سیکورٹی نظریے کی دشواریوں اور اُن دشواریوں سے نمٹنے کیلئے تیاری پر تبادلہ خیال کرتا ہے۔ تیسرا حصہ تجویز کردہ نظریے کو جانچتا ہے کہ آیا سائبرسپیس جنوبی ایشیا میں سلامتی نظریے کے طور پر ابھر رہا ہے۔ مقالہ ایک اختتامیے اور کچھ سفارشات پر ختم ہوتا ہے۔

The end of the Cold War changed the concept of security from traditional to non-traditional around the globe.<sup>1</sup> During the Cold War period, the traditional school of thought was dominating world politics. The collapse of the Soviet Union shifted this concept from traditional security to non-traditional security issues. The result was that human security, social security, environmental security, health security, etc. became the top agenda items in the post-Cold War period.<sup>2</sup> Currently, the concept of digital security is added to the traditional and non-traditional concepts of security. The main reasons for this are the popularity of the internet and global dependency on technologies. Cyberspace has become a hot cake in world politics of the twenty-first century. This shifting in the security paradigm is also being felt in South Asia, which has a mostly deprived and poor population of 1.7 billion, partly because of the huge defence spending of the South Asian countries.<sup>3</sup> The strategic location of this region gives it a special importance in world politics. Generally, when people talk about the South Asia region, it means issues pertaining to Pakistan and India.<sup>4</sup>

The twenty-first century is an age of globalisation and the driving force behind this globalisation is the internet. Developments in information and communication technologies are diffusing globally at an impressive speed.<sup>5</sup> In this digital realm, cyberspace is rapidly converting into a new conflict zone around the globe. Information Technology (IT) is playing an important role in this conversion. South Asia, sooner or later, will be engulfed in conflicts revolving around this emerging zone. It is very important for Pakistan and India to work to secure cyberspace before it becomes a new political conflict zone in the region. Both states must change their attitudes towards bringing stability to the region. Karl Deutch states, "'security community' may not be just around the corner in South Asia, the region could be more peaceful, stable and secure if the countries bring about changes in their attitudes."<sup>6</sup>

This paper examines this new dimension of warfare and its implications for the South Asian security paradigm. The paper is divided into two parts. The first part of the paper is the explanation of the South Asian security through a conceptual framework. It discusses how cybernetics realism works in ways similar to other theories of security studies. The second part discusses the digital space as an evolving new security paradigm between Pakistan and India. The paper ends with a conclusion and some recommendations.

### **Cybernetics Realism Theory**

In the security discourse, an issue is dramatised and presented as an issue of supreme priority. By labelling it as security, an agent claims a need for and a right to treat it by extraordinary means. The securitisation approach serves to underline the responsibility of actors as well as analysts who choose to frame an issue as a security issue. They cannot hide behind the claim that anything in itself constitutes a security issue.<sup>7</sup>

South Asia is one of the most debatable areas in world politics.<sup>8</sup> The foremost reason behind this debate is the hostility between the two nuclear powers in the region, i.e., Pakistan and India. Several scholars around the globe have worked on issues related to South Asia.<sup>9</sup> The works of these scholars help in understanding the traditional and nuclear security environment. Some of the existing theoretical paradigms could be helpful in understanding the nature of the security environment in this region. However, there are gaps in the existing body of literature on these issues related to cyberspace and digital security. This makes it quite difficult to clearly understand the digital threats and the importance of cyberspace in South Asia. In the twenty-first century, when cyberspace has become the most important tool in world politics, it is very difficult to explain cyberspace within the existing theoretical debate. There is a need to create a separate debate to understand the nature, threat, and the challenge of



cyberspace. The following discussion is an attempt to explore the theoretical understanding of cyberspace in the context of South Asia.

For this reason, I have coined and developed the theoretical concept of 'cybernetics realism'.<sup>10</sup> This is an attempt to explore the security environment of cyberspace. Cybernetics realism is a combination of three terms.<sup>11</sup> The word 'cyber' is usually used for the virtual medium, which is the application of computer and computer-related technology.<sup>12</sup> 'Netics' represents the physical infrastructure of technology, and 'realism' defines the attitude for accepting the situation as it is and preparing to deal with it accordingly.<sup>13</sup> In political science, realism is a framework to understand and practice global politics. It emphasises the nation state's policy to protect its national interest.<sup>14</sup> Cybernetics realism can be described as "the construction of global and dynamic domain, which is characterised by a combination of physical infrastructures and telecommunication devices that allow for the connection of technological and communication system networks to transfer the borderless information from one place to another without any hierarchical principle and its relationship with national security."<sup>15</sup> The communication systems broadly refer to the computer network system.

The term cybernetics was used for the first time by Plato as "the study of self-governance."<sup>16</sup> Norbert Wiener defined cybernetics in 1948 as, "the scientific study of control and communication of the system with machine."<sup>17</sup> Another early pioneer of this term was Lois Couffignal, who described the term as "the art of securing efficient operation."<sup>18</sup> In short, cybernetics realism can be defined as, "The art to establish the computer network system and to control the communication system of computer network and to use this network to protect the national interest by the use of cyberspace domain."<sup>19</sup> Cybernetics realism involves the following main features:<sup>20</sup>

1. Exploitation of cyberspace for military purposes by the states;

2. The defining point of a computer network, which has changed security paradigms from means to ends;<sup>21</sup>
3. Importance of a virtual medium for states in the contemporary security environment;
4. The relationship between a communication network and national security; and
5. The use of a computer network system in a crisis and in the power competition of states.

Why cybernetics realism is important in South Asia and will it work in the current security environment scenario? In the twenty-first century, cyberspace has emerged as a new political zone. This domain has changed the security environment around the globe. These trends of changing the security environment can also be observed in South Asia. With more and more users active in cyberspace, security issues are increasing. Pakistan and India are the main actors in this region. The stability and security of this region depend on the relations of both states. This region has already faced three wars.<sup>22</sup> Studying India-Pakistan politics gives an idea that the military objectives are always on top of the policy agenda.<sup>23</sup>

In the age of information technology, cyberspace is also developing as a conflict zone between Pakistan and India. One of the basic reasons is that after their nuclear tests, both states want to avoid any conventional conflict because it could escalate into a nuclear war. To avoid any physical clash and gaining the military objective, the virtual medium becomes the best alternative option for Pakistan and India. To explain this evolving security paradigm, cybernetics realism is applied to the current security environment for the following reasons:

First, the internet has become the most important medium for spreading ideology, funding, recruiting, planning, operating, training, meeting, and many more activities. The internet provides an easy means to interact and coordinate with each other without crossing the security check posts of any state. Pakistan and India both have

suspected each other historically. The internet provides an ideal opportunity for both states to carry out their activities without the knowledge of the other. In this context, the internet is providing a platform to achieve strategic goals. The nuclear and missile arms race clearly indicates that the balance of power is measured in terms of their military capability. On the internet, the equation of power is undecided.

Second, in the age of cyber technology, the most important use of cyberspace is for propaganda. This will become more important when states are facing some ideological, cultural, and military clashes. Since Pakistan and India have such clashes passed on from generation to generation, the importance of cyberspace for propaganda increases. Propaganda is always considered a very important tool in military strategy.<sup>24</sup> Many strategists believe that 50 percent of war can be won by using effective propaganda strategy.<sup>25</sup> This is very helpful to demoralise the military and people without fighting. According to the famous military strategist Sun Tzu, "The best weapons are that which enemy does not know." In the present situation, cyber weapons fall in this category. Cyber weapons can be easily hidden and remain unidentified. Historically, this is an accepted reality that propaganda changes the equation of war. In the age of cyber technology, this propaganda tool becomes very important for individual states.<sup>26</sup> It can be utilised more effectively and efficiently through the use of cyberspace. Cyber technologies are very easy to use in any form against adversaries. Pakistan and India are not enjoying good relations since their independence. This hostility not only exists between governments, but sentiments of hatred are also found among the people. Cyber technology is providing an opportunity to exploit the emotions of the people.

Third, social media have emerged as amongst the most influential propaganda tools in the twenty-first century. Social media penetrate into the minds of people and influence with very fast speed.

This increases the importance of cyberspace in military strategy. Social media in Pakistan and India are quite popular. The youth and professionals are quite active on social media. In both states, social media websites are mostly used to share pictures, jokes, religious material, political post, etc. Social media is a space where anyone can post anything without any investigation. The role of social media becomes very crucial when states are avoiding any physical confrontation, but they are not ready to minimise tension.

Fourth, social media always has space for new actors to use the campaign against the military and other institutions. There are many examples in Pakistan and India where social media play an important role during conflicts. For example, in Pakistan, during the Abbottabad operation against Osama Bin Laden, military operations in the tribal areas of Pakistan, military operations in Swat district of the Khyber Pakhtunkhwa (KP) province of the country, Lal Masjid Operation in Islamabad, and many others incidents, a malicious campaign was started against Pakistan's political leadership and military forces.<sup>27</sup> This has not only demoralised the security forces but could also possibly tarnish their image in front of the people. This was the reason that the people of Pakistan were confused about the use of force against militant groups.

Fifth, in 2014, the Pashtun Tahafuz Movement started from the Federally Administrated Tribal Areas (FATA), KP, and Balochistan in Pakistan.<sup>28</sup> The initial purpose of this movement was to protect the rights of the Pashtuns who were affected by various military operations in Waziristan and its surrounding areas. They demanded clearing of landmines and a stop to the killing of innocent people and to clearly distinguish between the Taliban and Pashtuns. The movement received attention in Pakistan after Naqeebullah Mashud was killed in Karachi.<sup>29</sup> Several Pakistanis supported the demands of PTM. This was also an open space for India and Afghanistan. They were operating different fake social accounts and posting material against

Pakistani forces. According to an ISPR press conference, almost 5,000 fake email IDs and Facebook accounts were operated from Afghanistan, where the only purpose was to defame the security forces.<sup>30</sup> This kind of activity has created a distance between the people and the security forces of the country. On another hand, however, the same social media exposed the PTM when some anti-state and anti-forces slogans were used.<sup>31</sup> This shows the importance of the role of cyberspace, especially in the region where terrorist and separatist movements are prominent.

Sixth, Pakistan and India are both increasing their nuclear capability and improving their missile technologies. In the age of information technology, both states are modernising their systems.<sup>32</sup> The digital technology can be used in the nuclear command, control, and communication systems. In this regard, there are a number of ways that these systems can be under threat. For example, malicious computer code may penetrate into a nuclear weapon system, exploiting design vulnerabilities and system failures. Cyber-attack concerns may include digital spoofing and jamming, which may create problems in communication, data manipulation, etc. This could lead to greater uncertainty in decision making and accuracy of weapons. Cyber technology in peacetime and wartime (crisis) can be used with different approaches. For instance, in peacetime, the states do not know that their nuclear weapons are under a cyber-attack. This is an example of offensive cyber activities. This unknown situation has serious implications for military decisions, particularly pertaining to the weapon deterrence policy. In the case of wartime or heightened tension situations, cyber-attacks on nuclear weapons could bring escalation. This could increase the probability of a launch of a nuclear weapon within one's own territory due to false information and target set through the use of cyber technology.

To conclude, the cybernetics realism theory is the most suitable approach to explain the evolving security paradigm in South

Asia. The following reasons could be given for the assertion:

1. States are continuously maximising their military power and in the age of technology. The military is getting more modernised and strategy getting more dependent on technology. Thus, technology is becoming an important tool in military doctrines to expand influence in the region without investing much and avoiding any physical clashes.
2. There is no economic competition in the region. Therefore, cyber technology is used to reap maximum economic benefits, so that liberalism, interdependent approach or other approaches of international relations fail to address the evolving security paradigms.
3. South Asian states are facing some common problems. For example, border issues, terrorism, extremism, separatist movements, and security issues. In this context, the role of cyber technology becomes very important in exploiting situations to achieve strategic objectives.
4. Hostile relations and spy policies are important agenda items of many states in this region. The use of cyber technology makes it easy to achieve goals without any physical confrontation.
5. This is the age of globalisation and states are avoiding going to war. But, at the same time, they are continuously using interference policies in different forms. The flexible nature of cyber technology and internet are providing the best opportunity to use different interference policies for their strategic purpose.
6. Nuclear weapons have become a major reason for security and stability in the region. Deterrence usually works between two nuclear states. States having nuclear weapons do not easily go to war with each other for the fear of it escalating into a nuclear conflict. In this context, cyber technology can be used for military purposes. The purpose of technology is not the same as nuclear technology, but it could be used for monitoring, damaging, or

destroying code. Such an act could open the zone for a physical war. Cyber technology is becoming a very important phenomenon in this region and in the new paradigm this technology determines the chance of war and the power of the state.

### **The Challenge of the Evolving Security Paradigm in South Asia: Pakistan and India Security Strategy**

Pakistan and India have fought three major wars. The major outcome of these wars was the loss of precious human lives.<sup>33</sup> IT has evolved in the mid of 1990s in this region<sup>34</sup> but at the time no one could have predicted that one day this technology will become a serious problem in South Asia. The history of the digital war in South Asia can be traced back to May 1998, when India tested nuclear weapons.<sup>35</sup> Soon after these tests, some unknown hackers penetrated into the Indian Nuclear Research Centre.<sup>36</sup> Indian computer security experts admitted that hackers broke the Bhabha Nuclear Research Centre site. They claimed that the hackers were from Pakistan.<sup>37</sup> This was the first reported incident of the beginning of a cyber war in South Asia. Although this incident did not bring any serious harm to the Nuclear Research Centre, it dismantled its communication system.<sup>38</sup> The next section will further discuss the challenge of cyberspace both for India and Pakistan and their approaches.

#### **Indian Cyber Security Strategy**

India is one of the fastest growing countries in the IT sector.<sup>39</sup> This growing capacity and dependency on IT is becoming a challenging task for the Indian government to secure its cyber domain. Following are India's main challenges in cyberspace:<sup>40</sup>

1. India is a leading information technology exporter. This has created a challenge for its data security and privacy. This challenge is defined as cyberspace design.
2. Legal and technical data security standards and security issues between low-end and high-end smartphones have exposed

millions of citizens to cyber hackers. This is known as cyberspace density.

3. India is importing its digital equipment and these are tampered, which increases the vulnerability of critical Indian sectors. This needs market regulation and safety processes.
4. Another most important challenge for India is the transition of its economy into a digital economy<sup>41</sup> and growing Chinese cyber capability and its engagement in cyberspace.<sup>42</sup>

Indian security officials started working on cybersecurity strategy in 1998.<sup>43</sup> Indian security experts, with telecommunication experts, held several meetings for drafting the cybersecurity strategy.<sup>44</sup> In August 2010, the Indian government decided to form a cyber wing in their military institutions.<sup>45</sup> The purpose of this cyber wing was to defend against any digital attacks from any side of the world. A procedure was drafted on 29 August 2010, led by the Indian National Security Advisor Shiv Shankar Menon. It went on to be approved by the high ranking officers of the Indian Intelligence Bureau (IB) and additionally the senior authorities of the telecom section, IT service, and RAW.<sup>46</sup>

After three years, India released its National Cyber Security Policy on 2 July 2013.<sup>47</sup> The main features of this policy were as follows:

1. A National and sectoral mechanism by the name of National Critical Information Infrastructure Protection Centre (NCIIPC) was established to deal with cyber threats.
2. India formed a Computer Emergency Response Team to deal with any cyber crisis. This centre was established to coordinate and operate with different sectors and to act as an umbrella organisation for cybersecurity matters.
3. A system was proposed for obtaining strategic information regarding threats to Information and Communication Technology (ICT) infrastructure. This system was proposed for prevention, response, and recovery action.



4. For the next year, more than five hundred thousand professional computer experts were scheduled to partake in different government and private organisations.
5. The policy emphasises strong relations and cooperation between public and private organisations to address the cyber threat.
6. The Indian army's cyber command wing is to be established and cybersecurity defence is to be improved.

This policy was drafted around the following three main principles:

1. Digitalise India to boost citizens' connectivity;
2. Establish digital delivery systems in government departments; and
3. Ensure the security of personal and government data.

To achieve the objective of this policy in a broader sense, it is very important for India to create a secure cyberspace environment and to work to strengthen the regulatory system.<sup>48</sup> For this purpose, the target was to train 500,000 professionals and to establish a separate cyber army command unit. The timeline for this target was 5 years. According to the latest reports, a total of 10 percent of skilled people are inducted and trained.<sup>49</sup> However, India not only established the cyber army command but also modernised its army to deal with cyberspace issues. Interestingly, the Indian cyberspace approach is to go from regional to global level. This is the reason it is investing intensively in its space program.<sup>50</sup> Moreover, India is also improving coordination between the government and private companies. The following three main organisations are working to fill this gap:

1. Information Systems Audit and Control Association (ISACA),
2. The National Association of Software and Services Companies (NASSCOM); and
3. The Data Security Council of India (DSCI).<sup>51</sup>

### **Indian Cyber Security Policy: Theory to Practice**

India is setting up its own Cyber Operation Centre. This is jointly run by the National Technical Research Organisation (NTRO)

and the armed forces. Following are India's major cybersecurity implementation projects:<sup>52</sup>

1. National Cyber Coordination Centre (NCCC) is working against hackers and espionage to track terrorist activity online. The structure of this centre is akin to the functioning of cyber centres in the US, UK, France, and Germany. Cyber intelligence sharing is also in its mandate.
2. The Botnet Cleaning and Malware Analysis Centre is tasked with removal and limiting of the threat due to botnets. India has the largest number of botnets in the world. Therefore, Botnet Cleaning and Malware Analysis Centre aims to provide safety and security in cyberspace.
3. Central Monitoring System (CMS) is used to monitor phone calls, text messages, and social media.
4. The NCIIPC is created under the technical intelligence agency, the NTRO. The NTRO is responsible for providing cover to 'critical information infrastructure'. Its functions are to roll out counter-measures in cooperation with other security agencies.

The release of cybersecurity policy in 2013 and all other steps adopted by the Indian government are considered important breakthroughs in South Asian security paradigm. This also indicates that new cyberspace is entering a new political and strategic zone in this region.<sup>53</sup> Previously, traditional and non-traditional security issues created disturbance in South Asia. This new medium will possibly have implications similar to other mediums of war in the past. Indian cyber security policy was the first step towards cyberspace as a new political zone in South Asia, but cyberspace zone is borderless. Identification of problems and dominant position of the attacker in cyberspace without attribution is a challenge. In traditional security approaches, the defenders enjoy the deterrence, retaliation, early warning, balance of power, etc. In cyberspace, the offence is easier than defence.

### **Pakistan's Challenge with regard to Cyberspace and its Cyber Security Strategy**

In the 21<sup>st</sup> century, the issue of cybersecurity is becoming alarming for all states. Cyberspace has created an equal challenge whether the state is developed or less developed. Pakistan is also facing the same challenge for its digital security. India has already declared its cyber strategy doctrine in 2013. The Indian cyber doctrine provides insights into understanding its strategy of countering the digital threat—the use of cyberspace to protect its national interest and maintain hegemonic power. A low-intensity cyber conflict has started between Pakistan and India.<sup>54</sup> The policymakers are convinced that Pakistan is less dependent on technology and cyberspace is not a serious problem for Pakistan.<sup>55</sup> But the emerging challenges of cyberspace are developing day-by-day. This section discusses the major challenges of cyberspace for Pakistan and analyses Pakistan's approach towards cyberspace.

First, the challenge is the psychological impact of cyberspace and its importance for Pakistan. Psychological warfare is one of the leading tools in modern warfare.<sup>56</sup> This involves the application of specialised information and media. The combination of media and information is used in accordance with the situation. This can be used to achieve a strategic goal or achieve political and military objectives.

The working principle of psychological war depends on the following three factors:

1. Collection of information;
2. The ability to degrade this information; and
3. Transmission of this information as per desire.<sup>57</sup>

The challenge for Pakistan is to manage cyberspace. Pakistan is not only facing this challenge regionally but also globally. Regionally, India is the major challenge for Pakistan. India is using all of its resources to demoralise Pakistani forces and create a distance between the people of Pakistan and its security forces. Cyberspace

creates an opportunity to spread disinformation against Pakistan. India and its allies understand the importance of the psychological war on cyberspace. This is the reason India and some major powers are investing huge amounts of resources on cyberspace against Pakistan.

The second challenge is the war on terror and the role of cyberspace. In the global war on terror, Pakistan became the frontline state. The common perception about Pakistani security agencies has changed. Cyberspace has played an important role to build perception. Hate literature, fake audios and videos, and fake statements are creating challenges for Pakistani security agencies. There are many situations where cyberspace was used against Pakistan with proper campaigning.<sup>58</sup> Interestingly, whenever there is political unrest in Pakistan, the first impression of the public is that the military is behind it.

The third and most important challenge for Pakistan is the recent defence agreement between India and Israel.<sup>59</sup> It should also be noted that Israel was the first state in the world to create a digital army.<sup>60</sup> The concept of the digital army is not only indicating the use of digital technologies but also provides the mechanism of coordination between different departments to share the information. The reason for creation of a digital army is to monitor adversary states. The Indian cyber strategy is similar to Israeli cyber strategy. The Indian cyber doctrine is not only aimed at setting up a digital army but also at the use of the digital mechanism inside and outside the geographic boundary. In 2015, India launched its Digital Army Programme (DAP). For this purpose, the Israeli experience in building and running a robust DAP can give the required push to India's Digital Army initiative.<sup>61</sup>

Israel became a close partner of India in establishing its cyber force. This was discussed in the recent visit of Indian Prime Minister Narendra Modi in Israel. As per the agreement, both states have used more than 300 cybersecurity startups. This has approximately \$6.5

billion of cyber product exports. This shows that Israel has become a cyber-security powerhouse and the best option for India. In a joint statement issued during Prime Minister Modi's Israel visit, both sides asserted their desire to institutionalise cooperation on cyber issues through a joint framework. And as Isaac Ben-Israel, Chairman of the ISA and National R&D Council and head of the Cyber Research Centre at Tel Aviv University has said, "We have developed a lot of Technology but there is just not enough of a market. India has a huge market and there is a lot of potential for cooperation between the two countries."<sup>62</sup>

The fourth challenge is the US Personal Record Information System Methodology (PRISM) programme, which was disclosed by Edward Snowden in June 2013.<sup>63</sup> According to documents leaked by Edward Snowden, Pakistan is included as one of the most targeted countries in the world for US espionage. The National Security Agency (NSA) is using the internet as a spy medium against Pakistani civilians, military, private, and nongovernmental organisations. Snowden disclosed that more than 12.5 billion emails were being monitored by the US.<sup>64</sup> This data is collected from different social websites, for instance, Google, Skype, Facebook, Twitter, YouTube, and several others. Other classified documents proved that the NSA program is not only targeting military officers but also politicians. This surveillance strategy is also used to eavesdrop on the Pakistan nuclear program.

### **Pakistan's Way Forward for Developing a Cyber Security Strategy**

In response to cyber espionage or detection of intruders, Pakistan is not prepared to show an effective response. A serious appreciation of this threat is missing among the policy circles of Pakistan and they appear unable to establish a defence shield against it. It is not only neglected in civilian government but the military itself ignores the dangers of cyber threats. The major reason behind this negligence is that the entire government system of Pakistan is not

digitised. Therefore, it is believed that there is no need to establish any cyber command force.

There was a slight shift of policy on cyberspace post-Snowden revelations. In this regard, on 8 July 2013, the first-ever meeting for a cyber-secure Pakistan was arranged in the parliament. It was chaired by Senator Mushahid Hussain along with senior military officers and the head of the Pakistan Information Security Associations (PISA). In this meeting, the national cybersecurity policy was discussed in detail. Interestingly, the participants of the meeting did not include computer security experts. They were viewing it as a policy problem rather than a technical one. However, they concluded that Pakistan needed a proper cyber strategy to handle cyber threats.<sup>65</sup>

On 11 July 2013, a seminar was held at the Pakistan Institute of Parliamentary Services (PIPS), Islamabad. In his welcome address, the Chairman of the Senate's Standing Committee on Defence said, "Given the security threat posed by snooping and spying by the US through their secret agencies like CIA and NSA, especially of Pakistan which is the second highest in their list of countries being spied online, funds should be allocated in the budget for a Cyber Security Strategy since Pakistan is a victim of cyber warfare and cyber aggression. This should be entrusted to a Cyber Security task force, specially constituted for the purpose that can propose countermeasures. Its Secretariat should be in the Ministry of IT."<sup>66</sup> In this seminar, a seven-point agenda was also provided, which declared that 2014 will be celebrated as a cyber-secure Pakistan.

The Cyber Security Bill was approved from both houses after a three-year gap. This also gives an idea of how Pakistani politicians are looking into the dangers of cyberspace. The main points of this bill are as follows:

1. Pakistan must induct computer professional in various sensitive organisations.
2. The administration will use secure internet services.

3. A computer emergency response team will be established to counter this threat.
4. National Computer Crimes Centre will be made more effective.
5. Coordination among private, governmental, and security organisation should be made possible.
6. A separate office will be established for cybersecurity matters, which will work under different ministries.
7. Pakistan will raise this issue on the forum of SAARC to formulate a cooperative strategy to secure South Asia and make this zone as free from cyber-attack.<sup>67</sup>

If we analyse all these developments regarding Pakistan's policy on cyberspace, there is no clear strategy. Recently, some steps have been taken, which indicate the seriousness of Pakistani policy makers towards cyber policy. On 21 May 2018, Pakistan opened its first cyber centre in Air University.<sup>68</sup> There are three main agenda items for creating this cybersecurity centre: protect the digital economy, protect sensitive data, and secure cyberspace. The federal minister in the inaugural session stated, "We made the National Action Plan (NAP) and launched a full-fledged operation against terrorists in the country, which will continue till complete annihilation of terrorists and extremists."<sup>69</sup> This cyber centre will work in collaboration with different research institutions and universities.<sup>70</sup> Cybersecurity encompasses technologies, processes, and controls that are designed to protect systems, networks, and data from cyber-attacks. The former National Security Adviser Nasser Khan Janjua said that cyber attacks posed an enormous threat to the national economy, defence, and security. One week prior to the inauguration of the cyber centre, the Pakistan National Counter Terrorism Centre also established its separate wing of cyber security to counter digital terrorism.

### **Is the Security Paradigm Evolving in South Asia?**

Cyberspace has emerged as a new political zone around the globe. This is the reason several states have taken this zone very

seriously, including revisiting their security policies. So, is cyberspace the evolving security paradigm in South Asia? Whenever there is some change around the globe, its impacts are seen in South Asia. Both Pakistan and India have changed their policy according to the global environment. As cyberspace is emerging as a new political and security zone, this is also evolving as the new security zone in South Asia.

How can one say that cyberspace is an evolving security paradigm in South Asia? It is an accepted reality that this region changes its security policy according to global scenarios. Here are some chosen historical facts: First, Pakistan and India gained their independence during the Cold War period. This was the period when the realist school of thought was dominant in world politics.<sup>71</sup> Military power was considered the most important factor in world politics. Military power was defined as the equation of power in world politics.<sup>72</sup> Pakistan and India also followed the same policy in this region. Economically and politically, both states were not in a stable position. They used most of their budget for gaining military power. Pakistan and India signed the agreement to fulfil their military requirement. Economic matters were not important in their policy. The US became the strategic partner of Pakistan and the Soviet Union signed a strategic agreement with India.

Second, from 1945 to 1960, there were only two declared nuclear powers, i.e., the Soviet Union and the US. But when the trend of nuclearisation started around the globe, China, France, and the United Kingdom also joined this nuclear coalition. Nuclear weapons became the reason to shift the military paradigm from conventional weapons to nuclear weapons. South Asia was not kept isolated from the influence of this nuclear race. In South Asia, India tested its nuclear weapons in 1974.<sup>73</sup> Although India claimed that its nuclear program was only for peaceful purposes, the Indian nuclear tests shifted the equation of power in the region. As a reaction, Pakistan also started its



nuclear program. For Pakistan, this was a question of survival because Pakistan was dismembered in 1971 with Indian intervention. Pakistan was economically weak, politically unable, and the tragedy of separation of Bangladesh was a blow to national pride and integration. Therefore, Pakistan started its nuclear program. The famous statement of Zulfikar Ali Bhutto, "We eat grass but Pakistan will make a nuclear bomb,"<sup>74</sup> shows the passion to counter the Indian nuclear threat.

Third, missile technology and its role in world politics also influenced South Asia. Both Pakistan and India started their missile programme in the late 1970s. The missile competition between Pakistan and India moved from conventional missile technology to nuclear to intercontinental to laser-guided missile technology.<sup>75</sup> The missile race modernised as the other states were devolving their missile technology. Pakistan and India both are following the international regime and their policies are the reflection of the global strategic and political environment. Both states are reacting according to the global environment.

The beginning of 1990s brought many new things in the world politics. The long Cold War period ended with the disintegration of the Soviet Union. America became the sole superpower in world politics and a wave of globalisation ensued. The Internet was considered a public domain and started gaining popularity with the introduction of different search engines and internet tools. Technological advancement started improving and economic policies became an important core in foreign policy agenda. There was also shifting of alliances from strategic to economic. These changes could also be observed in South Asia. Importantly, the end of the Cold War was also a serious challenge for India. Therefore, India shifted its policy to build strong relations with both China and America. Indian policy became more focused on economic relations with China and strategic relations with the US. Pakistan also improved its economic relations with China, America, and the Muslim world. Pakistan also gave importance to the

newly created Central Asian states in its foreign policy. As the world was becoming more concerned with economic issues, South Asia was also following similar approaches.

In May 1998, there was a dramatic shift in South Asian security environment.<sup>76</sup> India conducted five more nuclear tests. This shifted the equation of power in the region. The Indian nuclear tests created a serious challenge for Pakistan's security and stability. The public media, and security establishment was on one page to give a strong response to the Indian nuclear test. In response, therefore, Pakistan also conducted six nuclear tests. Soon after nuclear tests, the Kargil war started, but the conflict was resolved with the involvement of major powers. It is because the international community realised that if there was any escalation between Pakistan and India, it could go nuclear, introducing a global nuclear threat.

The 21<sup>st</sup> century witnessed a new wave of security challenges.<sup>77</sup> The Global War on Terror (GWOT) began against terrorist and their affiliated organisations. In the first phase, Afghanistan was the first country to face US military action. Al-Qaeda Chief Osama Bin Laden was in Afghanistan and America considered him the mastermind of 9/11<sup>78</sup>. Owing to this war, South Asia once again got special attention in world politics. This has become challenging for India and Pakistan to play their cards wisely to protect their national interests.<sup>79</sup>

This is the era when many social websites were introduced. After 9/11, many social networking sites such as Facebook, Twitter, YouTube, Hangout, Skype, Instagram, etc. become very popular to communicate and share views. These social websites brought a revolution not only in technology but, at times, in politics as well. State and non-state actors are all active on the internet. This transformed cyberspace as the new zone in world politics. Pakistan and Indian are both using the social media against each other. Now, direct physical confrontation is not necessary. Effective use of social media can help you achieve your goals. In Pakistan, the recent phenomenon of the

Pashtun Tahafuz Movement (PTM) is a sign of the power of this media. According to Pakistan's military spokesman, more than 5,000 accounts are operated from India and Afghanistan to support the PTM.<sup>80</sup> Similarly, when anti-state slogans were raised in a PTM procession, someone posted them online and people realised that it was not a movement for Pashtun protection but was against Pakistan and its forces.<sup>81</sup> This lost support for it inside Pakistan. In political activities, this medium has more influence and changes voter mindset. Pakistan and India are facing a security challenge from each other on the use of cyberspace. Tension is increasing day-by-day. The foregoing supports the claim that social media has evolved as a security paradigm in South Asia.

### **Conclusion**

The popularity of the internet and the use of social media with advanced technologies have unquestionably added to the challenges of state security. Cyberspace changed the nature of conflict and the nature of interests. It provides an equal opportunity to small or powerful states, as well as non-state actors, to conduct their activities relatively freely. The primary issue with digital threats is that they are still unrecognised as potential risks. Furthermore, resolving national policy challenges is not straightforward in today's globalised world. Moving towards digital security issues in South Asia in the age of technology, clear distinctions must be made between the politics of threat and the politics of protection. No doubt, both approaches are interconnected with each other, however, both politics of threat and politics of protection concern agenda-setting, cooperation, and conflicts of interest.

The intensity of cyber-attacks between Pakistan and India is increasing day-by-day, which indicates that in future, this low-intensity war can possibly convert into a major conflict. The active engagement of India in cyberspace demonstrates how this zone is evolving as a security paradigm in South Asia. Interestingly, India is not considering

Pakistan as a competitor in cyberspace. The Indian cyber strategy and cyber alliance politics indicate that India is the dominant actor in cyberspace. The challenge of cyberspace is creating problems for all South Asian states. Pakistan must concentrate on an effective national cybersecurity policy. Pakistan has made some progress in formulating national cybersecurity, but there is still a long way to go. One thing Islamabad should understand and accept is that cyberspace has emerged as a new political and security zone. Instead of thinking about Pakistan as a less technology-dependent state, it needs to realise the use of cyberspace and its increasing impact on daily lives. In the 21<sup>st</sup> century, states cannot separate or isolate themselves from the international community. The fast-moving trends of technology are compelling states to fully utilise its application. A positive sign is that Pakistan is moving to create a proper cybersecurity strategy. It has established the National Cyber Security Centre and Research Program. The creation of the institution itself is not important, but the induction of professional people is. Without technical knowledge, it is very difficult to formulate a proper cybersecurity strategy as per the need of the time. On the other hand, India has declared some parts of its cybersecurity doctrine and is using cyber alliance politics. India has started different research programs in various fields, especially in artificial intelligence. These steps from Pakistan and India indicate that both the countries understand the evolving security paradigms in this region. But the architecture of this new paradigm depends on the resources of cyberspace. This also imposes a multifaceted problem and must be dealt with separately, as both states have previously dealt only with the conventional security threat. However, the road to this new security paradigm is still hazy.

The following conclusions may be drawn from the use of digital technology:

1. Technology could be utilised for the benefit of people.
2. Some legal mechanisms should be adopted in cyberspace to curb

cyber terror and South Asian states must be legally bound to cooperate with each other.

3. To counter this new threat, information/computer security expertise from all states must be shared.
4. It is time to understand the challenge of digital security as a global problem, not only as a regional one. Moreover, all states have to come forward to cooperate with each other to make the cyberspace a zone free of war, so that all states can enjoy equal rights to explore new horizons for the betterment of the people in this region.
5. There is a need to have a mutual agreement to solve the cyber threat issues and to stop the non-state actors in the space.

It is very important to take practical actions to implement these steps so that new security environments stabilise the region, and cyberspace does not become a new zone of conflict. South Asian states, especially Pakistan and India, must understand the challenges of this evolving security paradigm. Both states should resolve their conflict with mutual understanding because tomorrow's keyboard could be more dangerous than a bomb.

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- <sup>80</sup> "Social media being used against Pakistan, institutions: DG ISPR," *ISPR Press Conference*, 04 June 2018, (<https://www.geo.tv/latest/197971-dg-ispr-briefs-media-on-ceasefire-violations-by-india> accessed date 10 June 2018).
- <sup>81</sup> "Anti-army slogans: PTM workers booked" *The News*, 10 May 2018.

# PAK-RUSSIA RELATIONS: A RESET IN THE MAKING?

SARFRAZ KHAN\* & NOOR-UL-AMIN\*\*

## Abstract

*Although Pakistan and the Russian Federation did not directly have antagonistic relations, they were unable to develop mutually beneficial political, economic, and trade links ever since diplomatic ties were established. Despite an unenviable past marred by lost opportunities and misplaced and unrealistic expectations, there exists a vast potential in the development of Pak-Russia bilateral cooperation in the fields of diplomacy, trade, energy, science, technology, mining, curbing drug trafficking, extremism, and terrorism. This paper highlights the wasted opportunities and their causes while looking towards future opportunities in light of recent positive developments between the two countries. The first visit, in November 2014, of the Russian Defence Minister to Pakistan, since 1991, resulted in the signing of a defence agreement. The agreement has provided the much-needed impetus to defence, economic, and trade ties between the two countries. Following closer India-US ties, neighbouring arch-rival, Pakistan, has begun conducting joint military exercises, Druzhba (Friendship), with Russia. Closer defence ties with Russia may pave the way for Pak-Russia cooperation in the fields of science, energy, economy, mining, trade, education, medicine, history, topography, hydrography and culture as well.*

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## پاک روس تعلقات: کیا ایک نیا آغاز ہو رہا ہے؟

سرفراز خان اور نورالامین

### خلاصہ

اگرچہ پاکستان اور روس کے مابین تعلقات کبھی بھی براہ راست خراب نہیں رہے، دونوں ممالک باہمی فائدہ مند سیاسی، اقتصادی، تجارتی اور سفارتی تعلقات قائم کرنے میں ناکام رہے ہیں۔ باوجود ایک ناقابل رشک ماضی کے جو کہ مواقع کھونے اور غلط اور غیر حقیقی پسندانہ توقعات رکھنے سے منسوب ہے۔ سفارت، تجارت، توانائی، سائنس و ٹیکنالوجی، کان کنی، منشیات کی اسمگلنگ کی روک تھام، انتہا پسندی اور دہشتگردی کے تدارک کے شعبوں میں پاکستان اور روس کے دو طرفہ تعاون کی ترقی کے وسیع مواقع موجود ہیں۔ یہ مقالہ دونوں ممالک کے درمیان حالیہ مثبت پیش رفت کی روشنی میں مستقبل کے مواقع کی طرف دیکھتے ہوئے ماضی میں ضائع ہونے والے مواقع اور ان کے اسباب پر روشنی ڈالتا ہے۔ نومبر 2014 میں کسی بھی روسی وزیر دفاع کے 1991 کے بعد پاکستان کے پہلے دورے میں ایک دفاعی معاہدے پر دستخط ہوئے۔ معاہدے نے دونوں ممالک کے مابین، دفاعی، اقتصادی اور تجارتی تعلقات کو انتہائی ضروری بڑھاوا دینے میں اہم کردار ادا کیا ہے۔ بھارت اور امریکہ کے مابین قریبی تعلقات کے پیش نظر اس کے قریبی حریف پاکستان نے اس کے ساتھ مشترکہ فوجی مشقوں، دُرُزبہ (دوستی) کا آغاز کیا ہے۔ روس کے ساتھ قریبی دفاعی تعلقات سائنس، توانائی، معیشت، کان کنی، تجارت، تعلیم، طب، تاریخ، ہائیڈرو گرافی اور ثقافت کے شعبوں میں پاکستان اور روس کے مابین تعاون کے لئے بھی راہ ہموار کر سکتے ہیں۔

The first Foreign Minister of Pakistan Sir Zafarullah Khan (1893-1987)<sup>1</sup> opened negotiations with Deputy Foreign Minister of the Soviet Union Andrei Gromyko in April 1948, regarding the establishment of diplomatic relations between the two countries. On 1 May 1948, Pakistan and the Soviet Union recognised each other and decided to exchange diplomatic missions. On 31 December 1949 Pakistan appointed its ambassador to Moscow. On 18 June 1949, His Highness, M. Ivan Nikolaevich, Soviet Ambassador to Afghanistan, was designated Ambassador to Pakistan.<sup>2</sup> The national press in Pakistan warmly welcomed the decision to establish diplomatic relations between the two neighbourly countries.<sup>3</sup> Nikolaevich's appointment, for reasons not disclosed, could not materialise, instead, Alexander Georgievitch Stetsenko (1950-55), who had earlier worked as Chancellor at the Soviet Embassy in Great Britain, arrived at Karachi, on 15 March 1950, to assume charge.<sup>4</sup>

Pak-Soviet relations, from 1947 to 1966, were characterised by ups and downs. For instance, the Soviets invited the first Prime Minister of Pakistan Liaquat Ali Khan (1895-1951) to pay an official state visit to the USSR.<sup>5</sup> In 1956, the Soviets offered Pakistan technical and economic assistance to build a steel mill in Pakistan. The Soviet Deputy Premier, in 1956, during an official state visit to Pakistan, called for the resolution of the Kashmir dispute, keeping in view the aspirations of the people of Kashmir.<sup>6</sup> In 1961, Russia granted Pakistan a loan worth \$3 million for technical assistance in oil exploration. Both countries agreed to cover air service operations, exchange cultural delegations, assisting mechanisation of agriculture, undertake power projects, and promote technological and scientific knowledge. In 1966 the Soviet Union played a mediating role to enable India and Pakistan sign the Tashkent Declaration.<sup>7</sup>

Both countries, Pakistan created on the basis of religion and the Soviet Union on a revolutionary socialist ideology, did not have much in the form of common interest. Actions undertaken by Pakistan



alienated the Soviet leadership. Prime Minister Liaquat Ali Khan visited Washington instead of Moscow where he had been invited.<sup>8</sup> An international economic conference in Karachi and Tehran in 1949 was seen by the Soviet Union as an attempt to establish an anti-Soviet bloc. Other steps taken included the promulgation of the notorious Public Safety Act in Pakistan, in 1951, and the arrest of many anti-imperialist working class and Communist Party of Pakistan leaders on the lame excuse of involvement in the linguistic riots in former East Pakistan.<sup>9</sup> The Rawalpindi Conspiracy Case of 1951 resulted in the arrest of communists including Faiz Ahmed Faiz. Pakistan became a member of the Central Treaty Organisation (CENTO) and the Southeast Asia Treaty Organisation (SEATO), both military alliances aimed against the Soviet Union. Actions taken against the National Awami Party considered to be pro-Soviet by Ayub Khan and the downing of the U-2 spy plane further strained relations between the two countries.<sup>10</sup>

However, during 1965-69 period, trade, educational, and cultural exchanges between the two countries began to increase<sup>11</sup> as a result of President Ayub's first visit to the USSR in 1965 and the visit of Premier Kosygin to Pakistan, in 1969.<sup>12</sup> Pakistan and the Soviet Union entered into cultural and scientific agreements in 1964, 1965, and 1968.<sup>13</sup> Between 1967 and 1971, steps including the closing down of US military bases on Pakistani soil, Ayub Khan's second visit of the Soviet Union, and an increase in the volume of bilateral trade, were taken.<sup>14</sup> In 1970, following General Yahya Khan's visit to Moscow, Russia promised \$200 million to implement Pakistan's Fourth Five-Year Plan. (1970-75).<sup>15</sup> The Indo-Soviet Friendship Treaty in 1971 enabled India to get \$300 million annually from the USSR.<sup>16</sup> Pakistan declined the Soviet offer to join the Asian Collective Security setup, which was ostensibly aimed against China.<sup>17</sup> Instead, Pakistan facilitated Henry Kissinger's secret visit to China.<sup>18</sup> Soviet efforts to improve relations received a setback when the Soviet Union criticised Pakistan's position

in 1971 and advised the country to find a political solution to the situation in East Pakistan instead of a military one.<sup>19</sup>

Pak-Soviet relations were the lowest ebb when Z. A. Bhutto came to power in Pakistan in 1972. In this period (1972-77), however, the Pak-Soviet Friendship Society was officially launched and bilateral visits of ministers to strengthen closer relations between both the countries were conducted. To improve Pak-Soviet relations, Bhutto paid two official visits to the USSR in 1972 and 1974. As a result, both countries agreed to restore Pak-Soviet cooperation in geological prospecting, power engineering, building metallurgical works in Karachi, and enhancement of trade.<sup>20</sup>

In the 1970s, Pakistan improved its relations with the Soviet Union and other socialist states applying the concept of 'bilateralism' in foreign policy.<sup>21</sup> However, following the Soviet intervention in Afghanistan in the late 1970s, Pakistan and the US formed an alliance against the former Soviet Union. Pakistan not only served as a conduit for US weapons in the war against the Soviets in Afghanistan but also became the main source of providing manpower and ideology. The US war against the USSR was depicted as Pakistan's war against the Russian infidels and 'access to warm waters' theory was extensively used to promote this purpose.<sup>22</sup>

### **The Post-Cold War Era**

Dissolution of the Soviet Union in 1991 and the emergence of the Russian Federation as the successor to the USSR bestowed opportunities to both Pakistan and the Russian Federation to come out of their ideologised rigidities and transform bilateral relations by focusing more on mutually beneficial fields of trade, commerce, security, and economy. These relations strengthened during the rule of Prime Minister Nawaz Sharif, following his visit to Russia in April 1999.<sup>23</sup> This visit gave Pak-Russia relations a new turn.<sup>24</sup> However, institutionalisation in Pak-Russia relations occurred in June 2002. During General Musharaf's rule, three Joint Working Groups (JWGs)

were established to hold regular meetings.<sup>25</sup>

Surprisingly, on 13 April 2007, the Russian Prime Minister, Mikhail Fradkov paid an official visit to Pakistan, 38 long years after Kosygin visited in 1969.<sup>26</sup> The three-day official visit of Mikhail Fradkov to Pakistan reactivated relations between Pakistan and the Russian Federation. Mikhail Fradkov held 'in-depth discussions' with former president General Pervez Musharraf and former Prime Minister Shaukat Aziz and deliberated upon improving bilateral relations with a particular emphasis on increasing economic cooperation.<sup>27</sup> Exploring prospects of collaboration in the oil and gas sectors led to the signing in Moscow of a Memorandum of Understanding (MoU) by Pakistan's Petroleum Minister on 19 November 2007.<sup>28</sup> The annual turnover of trade between Moscow and Islamabad was abysmally low, i.e., \$700 million, defence relations were almost non-existent, barring an odd helicopter deal, in 1969.<sup>29</sup> As late as 2010, Russia has been shy in developing strategic and military ties with Pakistan, because strategic and military ties with India seemed vital. In 2011, following the restoration of democracy in Pakistan, a change in Russian policy became visible when President Putin publicly endorsed Pakistan's bid to join the Shanghai Cooperation Organisation (SCO) declaring Pakistan an important Russian partner in South Asia and the Muslim world.<sup>30</sup>

### **Postponement of President Putin's Planned Visit to Pakistan**

President Vladimir Putin's visit to Pakistan was postponed in October 2012. This planned visit had raised expectations on both sides anticipating a great leap forward in Pak-Russia relations.<sup>31</sup> The postponement of the visit produced shockwaves in Islamabad leading to introspection concerning the impact upon bilateral relations. This postponement did not follow the announcement of any new date, raising speculations whether the visit may ever happen, further multiplying Pakistan's distress. The decision to postpone President

Putin's visit not only annulled the Quadrilateral Summit,<sup>32</sup> involving Russia, Afghanistan, Pakistan, and Tajikistan, perhaps a lesser worry for Pakistan, but more importantly generated an alarm in Islamabad regarding the direction in which Pak-Russia relations were heading.

The reason Russian President chose not to visit Pakistan, i.e., Russian displeasure, may be discerned. Delay in Islamabad's response to several energy sector projects, construction of North-South Gas Pipeline, Russian interest in the transmission of power during offseason CASA from Tajikistan to Pakistan, Pakistan's diminishing interest in the Iran-Pakistan Gas Pipeline (already completed inside Iran with Russian aid), and Islamabad's reluctance in terms of awarding contract to Russia without advertising tender, presumably under American pressure.<sup>33</sup>

Thus, sufficient reasons did not exist to provide substance to President Vladimir Putin's visit to Islamabad. "The problem is that usually the purpose of the visit is not participation in ceremonies. The visit should have some substance,"<sup>34</sup> argued Russian Ambassador, Alexey Dedov at a talk on Pak-Russia relations at the Institute of Strategic Studies Islamabad (ISSI). "As soon as the substance is ready we can discuss the visit," he stressed.<sup>35</sup> In view of the Russian envoy, 'substance' stood for 'signing of documents' and 'preparation of plans' for expansion of ties.<sup>36</sup> It had to be kept in mind that none of the Russian/Soviet Presidents has ever visited Pakistan, stressed the Ambassador.<sup>37</sup> Russian Foreign Minister Sergei Lavrov did visit Pakistan to explain the cancellation of the presidential visit.<sup>38</sup>

After the 2013 General Elections, a renewed talk of betterment in Pak-Russia relations began gaining currency. This has been referred to as a 'paradigm shift', by some strategists in Pakistan.<sup>39</sup> Russia reaffirmed its desire to improve relations in a letter addressed to the then President of Pakistan Asif Ali Zardari. It stated that the two countries shall "jointly enhance our efforts" to have "mutually beneficial trade and economic projects."<sup>40</sup> Moscow has begun to assert

its role in Southwest Asia by providing military support to Syria and has examined the situation in South Asia carefully in order to readjust its policy towards India, Pakistan, and Afghanistan. Therefore, it needs Islamabad's attention. Pakistan aims at diversifying allies, providers of credit, military equipment, trade opportunities, and strengthening of cooperation in the field of Science, technology, education, and culture with Moscow.

### **Pak-Russia Joint Working Groups**

Pakistan and the Russian Federation, in 2002, agreed to institutionalise ties by forming three joint working groups aimed at dealing with the probable threats to regional stability and to pave the way for further strengthening mutual ties. These include the following:

1. Pak-Russia Consultative Group on Strategic Stability
2. Pak-Russia Joint Working Group on Counter-Terrorism
3. Pak-Russia Intergovernmental Commission

Regular meetings of these groups are held alternatively in Islamabad and Moscow.

### **Pakistan-Russia Consultative Group on Strategic Stability**

Russia and Pakistan reiterated their resolve to collaborate closely in bilateral and international forums on strategic stability. The first-ever strategic dialogue between Islamabad and Moscow in January 2003, during the inaugural meeting in Moscow of the Pakistan-Russia Consultative Group on Strategic Stability, therefore, acquires monumental importance. The agenda included an overview of the global and regional situation, disarmament and conflict resolution, threat perceptions, and regional tensions. Earlier, Moscow held such consultative group meetings with only G-8 members and a few others whom Russia considered global players. Meeting alternately in Moscow and Islamabad every year indicates a thaw in relations leading to a Pakistan-Russia strategic partnership.<sup>41</sup> On 22

December 2004, at the Pak-Russia two-day strategic dialogue on nuclear non-proliferation, terrorism, and bilateral cooperation, the leader of the Russian delegation, Deputy Foreign Minister Sergey Kislyak vowed to jointly fight terrorism.<sup>42</sup>

On 24 January 2011, during the Pak-Russia Consultative Group's sixth meeting on Strategic Stability in Islamabad, the two sides exchanged views concerning the international and regional security situation and discussed cooperation in the fields of science, technology, energy security, and multilateral forums.<sup>43</sup> They reaffirmed their commitment to deepen the relationship.<sup>44</sup>

On 11 January 2012, in Moscow at the seventh meeting of the Group on Strategic Stability, both countries discussed arms-control, nuclear disarmament, and non-proliferation.<sup>45</sup> Ambassador Zamir Kabulov, Head of the Second Asia Department, and Special Representative of the President of Russia on Afghanistan underlined that the Foreign Minister of Russia looked forward to the then Foreign Minister Hina Rabbani Khar's visit as an opportunity to review and further strengthen bilateral relations.<sup>46</sup>

A series of high-level bilateral state visits to Islamabad of Russian Chief of Ground Forces, Chief of Air Force, Special Envoy to Afghanistan, and Foreign Minister and to Moscow of Pakistan's then Chief of Air Force, Tahir Rafique Butt, Foreign Minister Hina Rabbani Khar, and Chief of the Army Staff (COAS) General Kayani occurred prior to the eighth meeting of the Russia-Pakistan Consultative Group on Strategic Stability, held in Islamabad on 28 April 2013. The motives of the Russian engagement strategy with Pakistan, previously having a 'privileged' and 'special' relationship with India, could be discerned. Should India be concerned about the prospects of this new growing equation? The latest bond between Russia and Pakistan has been founded on 'economics of trade and energy' and the need for security and stability in South and Central Asia, primarily Afghanistan. An interesting interplay of several geopolitical factors may work

underneath, however, developments in Afghanistan seemed a key reason of increased Russian engagement with Pakistan.

On 15 January 2015 and 2 March 2018, during the 9th and 12th meetings on Strategic Stability held in Moscow both sides expressed commitment to significantly strengthen the consultative mechanism on strategic stability and contribute to developing a revitalised, comprehensive, and long-term partnership.<sup>47</sup> The two sides had a comprehensive exchange of views on regional and global developments including arms control, disarmament, and non-proliferation.<sup>48</sup> They still moved very cautiously on nuclear cooperation. Moscow supported India's effort to become a member of the Nuclear Suppliers Group (NSG) and did not oppose Pakistan's candidature, but has not opened a discussion on nuclear cooperation yet. The two countries still lag far behind in trade and economic cooperation too.<sup>49</sup>

#### **Pak-Russia Joint Working Group on Counter-Terrorism**

In Moscow, in December 2002, the Pak-Russia joint working group on counter-terrorism agreed to enhance bilateral cooperation and sharing of information to effectively counter threats to national and regional security. The third meeting in Moscow on 13 June 2006, exchanged information on anti-terror measures undertaken in Russia and Pakistan, including measures to perfect national legislation and the system of bodies engaged in the suppression and prevention of terrorism and related threats. They agreed to enhance dialogue among civilisations and faiths to counter terrorist ideology, propaganda, and recruitment calling upon the international community to intensify joint efforts to surmount factors capable of feeding extremist sentiments and terrorism, particularly, in conflict settlement and exchange information and views on problems in anti-terrorist and anti-drug efforts in Afghanistan.<sup>50</sup> The Russian and Pakistani delegations agreed to cooperate in counteraction against

terrorism at bilateral and multilateral forums and prepare the UN draft for a comprehensive anti-terrorism strategy.<sup>51</sup> The fifth meeting, on 27 January 2014, and the seventh on 21 March 2018, in Islamabad expressed 'grave concern' over the growing threat of the militant Islamic State (IS) group<sup>52</sup> and observed, "The returning IS fighters from the conflict zones to countries of origin or third countries constitute a major security threat to various parts of the world, including this region."<sup>53</sup>

### **Pak-Russia Inter-Governmental Commission (IGC)**

The Pakistan and Russia Inter-Governmental Commission was established, in 2002, to promote economic, trade, scientific, and technical cooperation. On 10 September 2012, discussing trade, economic and cultural development, priority areas of business and investment cooperation were identified.<sup>54</sup> On 28 November 2014, the Russia-Pakistan Government Committee for Trade and Scientific Cooperation observed that Russia-Pakistan partnership developed under uneasy circumstances, bilateral trade increased symbolically, i.e., 1% in 2013 to \$547.1 million. In 2014, decreased to \$379.7 million, falling 16% in the third quarter compared with the same period of 2013. Russian exports to Pakistan were \$118.1 million, down 25%, Russian imports from Pakistan, were \$261,6 million, down 11%.<sup>55</sup> Both sides agreed to take serious steps to rectify the situation. They signed the Final Protocol of the Russia-Pakistan Government Committee for Trade and Scientific Cooperation.<sup>56</sup>

On 20 November 2015, the fourth plenary session of the Russia-Pakistan Intergovernmental Commission on Trade, Economic, Scientific and Technical Cooperation in Islamabad, discussed issues including energy, finance, science, technology, and cooperation in anti-drug operations. Russia stressed cooperation in electric energy, expanding the presence of the Russian energy companies in the Pakistani market.<sup>57</sup> They expressed the hope to reach a mutually



acceptable solution and also to sign an agreement on unsettled mutual financial obligations, which is a major obstacle in the development of economic cooperation between Russia and Pakistan.<sup>58</sup>

Pakistan has been Russia's 73rd largest trade partner in 2017, up from 82<sup>nd</sup> in 2016, accounting for 0.0911% of Russia's total trade, up from 0.0739% in 2016 and Russia's 78th largest export market, in 2017, up from 87<sup>th</sup> in 2016, accounting for 0.0861% of Russia's total exports, up from 0.0466%, in 2016.<sup>59</sup> Defence Minister Engineer Khurram Dastgir Khan noted substantive improvement in bilateral relations since 2013<sup>60</sup> and increased bilateral trade.<sup>61</sup>

### **Pak-Russia Trade and Business Relations**

Both public and private sector organisations including national and provincial chambers of commerce and industry, the Boards of Investment, and businessmen in manufacturing and agriculture have been taking a keen interest in Pak-Russia trade and business relations. On 26 December 2017, the Minister of Finance Senator Ishaq Dar at the first Pakistan-Russia Investment Forum, organised by the Board of Investment,<sup>62</sup> informed that steps to resolve old trade disputes amicably had been taken in the Pak-Russia Inter-Governmental Commission (IGC).<sup>63</sup> Miftah Ismail, Chairman of the Board of Investment declared that Pakistan sought a strategic partnership for Pakistan Steel and urged sixty Russian potential investors, participants of the Forum to take advantage of the opportunity and improve business-to-business linkages.<sup>64</sup>

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) requested Chairman Pakistan-Russia Business Council (PRBC) to formulate a strategy to enhance trade ties, joint ventures, and investment opportunities with Russia.<sup>65</sup> The Russian consumer goods market is worth \$2.7 trillion and needs to be exploited by Pakistan.<sup>66</sup> Afzal planned to organise single country exhibitions in Karachi and Moscow in closer cooperation with the Trade Development Authority of Pakistan (TDAP), Ministry of Commerce and Trade Missions of both

the countries.<sup>67</sup> Pak-Russia trade expanded slowly, trade volume did not reflect trade potential. In 2016-17, Pakistan exports were \$131.68 million compared to \$151.41 million in 2015-16, a 13% decline. In FY2017, Pakistan's imports from Russia increased by 28%, i.e., \$188.11 million against \$146.79 million in FY2016. Bilateral relations will improve after signing of Preferential and Free Trade Agreements between Russia and Pakistan.<sup>68</sup>

**Table 1**  
**Pak-Russia Bilateral Trade (US\$ Million)**

Year	Pak Exports	Pak Imports	Total	Balance
2010-11	183.57	162.42	346.99	+21.15
2011-12	189.61	202.05	391.67	-12.44
2012-13	207.31	277.17	484.48	-69.89
2013-14	187.04	235.08	422.11	-48.04
2014-15	183.84	206.45	390.29	-22.61

**Source:** Retrieved from [http://issi.org.pk/wp-content/uploads/2018/01/2-SS\\_Almas\\_and\\_Yasir-No-4\\_2017.pdf](http://issi.org.pk/wp-content/uploads/2018/01/2-SS_Almas_and_Yasir-No-4_2017.pdf)

Russian Ambassador Alexey Yurievich Dedov addressing the business community at Khyber Pakhtunkhwa Chamber of Commerce and Industry (KPCCI) argued that "Moscow and Islamabad can come closer by improving bilateral trade. He informed that Pakistani traders and businessmen, especially of KP, had many opportunities to invest in Russia. Our traders and businessmen are also keenly interested in investing in Pakistan."<sup>69</sup> The KPCCI president called for an increased exchange of business delegations and to improve people-to-people contacts.<sup>70</sup> He lamented the decline of \$65.13 million in bilateral trade between Pakistan and Russia that stood at \$419.34 million in 2013-14, against \$484.47 million in 2014-15. The decline mainly resulted due to falling Pakistani exports to Russia (10.36%).<sup>71</sup> In 2014-15, the trade

further fell to \$390.29 million, a source of anxiety.<sup>72</sup> The KPCCI President lauded the Russian Federation's decision of decreasing custom duty on Pakistani goods by 35% in the wake of devastating floods in 2010.<sup>73</sup> "The Russian Federation can import agricultural products and fruits from Pakistan, and export fertilizers and petrochemical products to Pakistan,"<sup>74</sup> he believed.

Pakistan's exports 12.5% of the Kinno crop to Russia.<sup>75</sup> Exports fell to 350,000 tonnes, the target is 400,000 in 2015.<sup>76</sup> The target in 1916-17 was reduced to 250,000 tons, keeping in view issues and restrictions in the Russian market. All Pakistan Fruit and Vegetable Exporters, Importers, and Merchant Association (PFVA) reported that export target of 300,000 tons could not materialise and decreased it to 280,000 tonnes. Exports of 375,000 tonnes in 2014-15 fell to 300,000 tonnes in 2015-16.<sup>77</sup> Import valuation of Pakistani kinno has been higher by \$3/10 kg, making it impossible to compete with Egypt, Morocco, and Turkey in the Russian market,<sup>78</sup> Apart from research and development to improve kinno quality, freight subsidy of \$2,500/export container is required to enable exporters to compete with Egypt, Turkey and Morocco.<sup>79</sup>

Pakistan exported 370,000 tonnes of kinno worth \$222 million, the highest in terms of volume, during 2017-18 (between December 2017 and May 2018).<sup>80</sup> Kinno continued to face issues of high valuation from the Russian customs authorities leading to higher cost, the actual value of Pakistani kinno is around \$6-7/10 kg whereas the Russian authorities assess it at \$9.5/ 10 kg increased after February to \$10.5/10 kg, making it even harder to compete. PFVA has pertinently been raising this issue with Pakistani and Russian authorities. Consequently, the Russian authorities expressed a willingness to reduce the rate of valuation for the kinno. The association demands a decrease in local taxes and levies (DLTL) of the \$250/export container to increase kinno exports to Russia from the Pakistani authorities.<sup>81</sup>

The Sindh government entered into a cooperation agreement

with St. Petersburg, to promote partnerships in trade, business, education, science, and technology and signed a Memorandum of Understanding (MoU)<sup>82</sup> to facilitate exchanges between the regions in business, culture, art, tourism, and technology, bringing the two countries closer.<sup>83</sup> Chairperson of Sindh Board of Investment (SBI) stressed collaboration in textiles, light industry, medical industry, power machines, and energy sector.<sup>84</sup> The Russian delegates representing 15 companies dealing in power, oil and gas, pharmaceutical, chemical, spare parts, metallurgical, textile, especially polyester and yarn producers, engineering and aviation held meetings with Pakistani counterparts at Karachi on 24 April 2018. Chairperson of the SBI, Naheed Memon recalled MoU signed with Government of St. Petersburg in October 2017 that facilitated this visit to boost trade.<sup>85</sup> On 18 March 2017, Rustam Minikhanov, President of Tataristan discussed matters of mutual interest in Lahore at the Punjab-Tataristan Business Forum, including promotion of bilateral relations in different sectors<sup>86</sup> including skill development, petrochemical technology, banking, Halal food, production of cement, automobile industry, pharmaceuticals technology, culture and education, mining, agriculture, livestock, tourism, and sports.<sup>87</sup>

### **Pak-Russia Political and Diplomatic Cooperation**

Pakistan and Russia have a long history of cooperation at the UN's General Assembly and Security Council on international and regional issues of peace and stability. Afghanistan has been an important issue since both, at times, hold competing positions on it. On 14 April 2017, to discuss the Afghan situation and peace negotiations with the Taliban, 12 countries, including Pakistan, gathered at a summit in Moscow to develop a regional approach for peace in Afghanistan. The Afghan government and the Taliban also participated.<sup>88</sup> However, the United States decided to stay away, saying it had not been clear regarding Russia's objectives.<sup>89</sup> The process of informal consultations began initially amongst Pakistan,

China, and Russia in December 2016 and expanded to six-nations by mid-February 2017, including, Afghanistan, India and Iran. Invitations were extended to the US, Central Asian states, and the EU by March 2017. Afghan Taliban officials also signalled towards possible participation, if invited to the Moscow Summit. "Our response would be positive if we get a formal invitation," two Taliban officials declared.<sup>90</sup> Initially, Kabul disagreed with the Russian proposal of inviting political representatives of the Taliban from the 'Qatar Office', but later welcomed Russian diplomatic efforts for peace and stability.<sup>91</sup>



**Source:** Retrieved from, [https://www.google.com/search?q=Friends, +enemies,+friends+again+daily+dawn+April+1,+2017+cartoon&tbm=isch&source=iu&ictx=1&fir=6M1MWJYqfC9PkM%253A%252CPnEVxi1ooXemqM%252C\\_&usg=\\_\\_DdanUqwAokxaZbrdoBOIfmnMwtU%3D&sa=X&ved=0ahUKEwj14N6Py-PZAhXP1qQKHQzRBLEQ9QEIPzAC#imgsrc=6M1MWJYqfC9PkM:](https://www.google.com/search?q=Friends,+enemies,+friends+again+daily+dawn+April+1,+2017+cartoon&tbm=isch&source=iu&ictx=1&fir=6M1MWJYqfC9PkM%253A%252CPnEVxi1ooXemqM%252C_&usg=__DdanUqwAokxaZbrdoBOIfmnMwtU%3D&sa=X&ved=0ahUKEwj14N6Py-PZAhXP1qQKHQzRBLEQ9QEIPzAC#imgsrc=6M1MWJYqfC9PkM:) accessed on 11 March 2018.

Afghanistan also hailed the Russian Foreign Ministry's statement, asking the Taliban to "lay down their arms, cut their ties with terrorist groups and join the peace talks to ensure durable peace and stability and end fighting in Afghanistan."<sup>92</sup>

Earlier, on 17 March 2017, Afghan National Security Advisor, Hanif Atmar had visited Moscow and threw his weight behind Russia's peace efforts in Afghanistan. During his meeting with the

Russian Foreign Minister, Sergei Lavrov and Secretary of the Russian Security Council Nikolai Patrushev Atmar received confirmation that "Moscow [was] committed to the facilitation of peace and national reconciliation in Afghanistan and in the region. Both Russia and China supported Afghanistan's legitimate government,"<sup>93</sup> reported Sputnik news agency. The Taliban seemed open to diplomatic efforts after the two major powers announced a trilateral meeting in Moscow in December 2016 to help lift UN sanctions on Taliban leaders. China hosted the Taliban political representatives after the trilateral talks in Moscow. Pakistan, which had long been pressing Russia to host the long-awaited trilateral meeting, has recently again "conveyed to the Taliban to join the peace process."<sup>94</sup> On 6 November 2017, Chairman, State Duma Committee, International Affairs, Russian Federation, Leonid Slutsky called on Speaker, National Assembly, Ayaz Sadiq at Speaker's House.<sup>95</sup> Russian Ambassador, Alexey Y. Dedov was present too.<sup>96</sup> The Speaker specifically underlined the prevalence of cross-party support, rather consensus, amongst the parliamentarians to develop friendlier relations with Russia.<sup>97</sup> Stressing the prerequisite to increased mutually profitable Russian investment in Pakistan, he argued, "Russia can take advantage of the Pak-China 'trade corridor', spreading from the Chinese border to Gwadar port, as an alternative route for Russia to link with the Middle East."<sup>98</sup> "We want a multi-dimensional relationship with Russia in the fields of trade, defence, energy, infrastructure, culture and other spheres,"<sup>99</sup> the Speaker added. He called for international multi-dimensional legislative and political steps to mitigate the challenges of terrorism and extremism.<sup>100</sup> Leonid Slutsky discussed strategies for substantial increases in business and trade between the Pakistan and Russia, including agriculture, textile, leather goods, sports goods, etc., and investment of Russian businesses in the energy sector.<sup>101</sup>

Meanwhile, a well-connected leading businessman of Khyber Pakhtunkhwa had been appointed Honorary Council of Russian

Federation for Khyber Pakhtunkhwa and FATA, in Peshawar. The Russian Ambassador, Alexey Y. Dedov read the appointment order signed by Russian President V. Putin during an official ceremony held in the Embassy of the Russian Federation in Islamabad, Pakistan. "Opening of the Russian consulate in Peshawar is a very significant event since it is a gateway to Eurasia region."<sup>102</sup> The ambassador also admired the efforts and work of Habib Ahmed, Honorary Consul of Russian Federation in Lahore.<sup>103</sup> Speaking to Chief Editor, *Vipusnik*, the Russian Honorary Consul in Khyber Pakhtunkhwa Arsala Khan opined that his main aim would be promoting trade and tourism between the two countries. He would also strive to attract investment in Russia-Pakistan joint ventures in addition to improving bilateral trade links. "Our province has tremendous potential for economic development and it offers good opportunities to foreign investors".<sup>104</sup> Habib Ahmed, Honorary Consul of the Russian Federation at Lahore, congratulated Arsala Khan and remarked, "Opening of the Russian Consulate in Peshawar is a great achievement of Russian Federation."<sup>105</sup>

In Peshawar, on 19 February 2018, Governor Khyber-Pakhtunkhwa, Engineer Iqbal Zafar Jhagra termed the establishment of Honorary Consulate of Russian Federation in Peshawar a sign of the beginning of a new chapter, an impetus to renewed relations between the two countries. "Pakistan and Russia are looking at each other as complementary partners for regional balance, growth and partnership for the well-being of the respective people,"<sup>106</sup> he remarked. On 20 February 2018, Alexey Y. Dedov commemorating Seventy (70) Years of Pak-Russia Diplomatic Relations as Chief Guest, at a Seminar, jointly organised by the Area Study Centre (Russia, China and Central Asia), University of Peshawar, and the Honorary Consul General Russian Federation for Khyber Pakhtunkhwa and FATA, lauded economic trade and defence cooperation between the two countries and termed the increased visits of both political and defence leadership, a welcome sign. Prof. Dr Sarfraz Khan, Director, Area Study Centre stressed the

need for increased cooperation to rid this region of terrorism, extremism and promote peace and economic cooperation. Instead of promoting rivalries, a paradigm shift is needed to take into account the interest and wellbeing of the people of the Af-Pak region, working together to reduce tension, promote peace and economic cooperation.<sup>107</sup>

Mr Arsala Khan, Honorary Councilor General Russian Federation for Khyber Pakhtunkhwa and FATA, informed participants regarding the establishment of Russian Honorary Consulate at Peshawar in order to facilitate Pak-Russia cooperation: the signing of new, reviving of previously signed, Memorandum of Understanding (MoU) with various Russian Academic Institutions besides promoting trade and culture.<sup>108</sup>

Earlier, Foreign Minister of Pakistan, Khawaja Asif, in line with Pakistan's efforts to court Russia in order to counter intense US pressure that demanded acceleration in the fight against terrorism, proceeded on a three-day visit to Russia on 19 February 2018. "Russia enjoys a special place in our foreign policy,"<sup>109</sup> declared Foreign Office, an unparalleled expression, for a country with whom Pakistan previously held acrimonious relations. The two sides also share a common perspective on Afghanistan and believe that road to peace and stability goes through the sustained dialogue process with the Afghan Taliban. Russia increasingly feels concerned over the rise of IS in Afghanistan and fears terrorist outfits may endanger her security too. Therefore, not only China and Pakistan but Russia also push for a political solution to the Afghan conflict.<sup>110</sup> Russian Foreign Minister Sergei Lavrov declared that Russia would continue assisting Pakistan to reinforce its counterterrorism capabilities and forming of a commission for military cooperation by the two countries.<sup>111</sup> He reaffirmed Russia's willingness to increase Pakistan's counterterrorism capacity, considering it in the interest Central and South Asia.<sup>112</sup> Lavrov argued that fighting terrorism had been a priority area for



cooperation, along with bilateral trade and economic cooperation with Pakistan, especially in the energy sector. Asif stated that the spread of militant Islamic State (IS) terrorists in Afghanistan caused alarm in Pakistan since repositioning of IS terrorists from West Asia to northeastern Afghanistan posed a threat to Pakistan, Central Asia, and Russia.<sup>113</sup> For him, the number of IS terrorists in Afghanistan had far surpassed the Taliban. Both Kabul and Washington never acknowledged such a huge existence of Daesh in Afghanistan.<sup>114</sup> Asif argued that Pakistan stressed a negotiated settlement, considering it the only solution to the Afghan conflict. However, the prevalence of Daesh has definitely been “alarming for us because they are not a party to negotiations in Afghanistan.”<sup>115</sup> Pakistan supports the “role played by Russia in developing a regional approach to Afghan”<sup>116</sup> quagmire and “commendable” Russian efforts to eliminate IS. Asif reaffirmed Pakistan’s commitment to fighting terrorism in cooperation with the international community, including Russia, despite heavy human and material losses, including more than 70,000 servicemen and citizens.<sup>117</sup> Pakistan opposes the imposition of unilateral sanctions against any country including the Russian Federation “especially when these are politically motivated,”<sup>118</sup> Asif declared. During consultations, satisfaction was expressed over growing cooperation and the two agreed to deepen cooperation in various spheres of mutual interest.<sup>119</sup> The two ministers concluded that there exists no military solution to the Afghan dispute and to diligently synchronise processes concerning peace in Afghanistan.<sup>120</sup>

Regarding the Afghan conflict, Lavrov opined that they were preoccupied with the situation in Afghanistan and “expansion of IS influence.”<sup>121</sup> He termed the presence of IS in the north and east of Afghanistan a ‘serious’ threat “already amount[ed] to a thousand people.”<sup>122</sup> He expressed Moscow’s concern of security threat created for the Central Asian Republics and the Russian Federation.<sup>123</sup> Lavrov

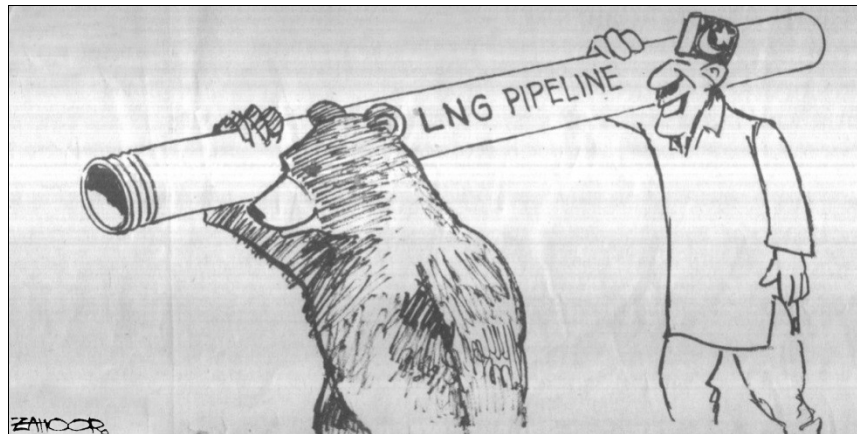
said that IS had organised attacks inside Afghanistan including at a luxury hotel in Kabul on 20 January 2018.<sup>124</sup>

### **Energy Economics: Pak-Russia Cooperation**

Several projects in meeting Pakistan's energy needs were initiated by the two countries, including the Pakistan-Russia LNG Pipeline Accord, CASA-1000, and Khyber Pakhtunkhwa Oil and Gas Company Limited (KPOGCL), besides TAPI and IPI. The then Petroleum Minister Shahid Khaqan Abbasi, sidestepping normal bidding requirements, signed on 16 October 2015, a government-to-government agreement as a deal in Islamabad with Russian Energy Minister, Alexander Novak. Prime Minister Nawaz Sharif attended the signing ceremony.<sup>125</sup> Moscow was to provide a loan of \$2 billion in return for the award of the contract to the state-run Russian firm RT Global, an arm of the Russia State Corporation. The Russian firm RT Global was to lay 1,100 km-long North-South Pipeline capable of carrying 12.4 bcm per annum connecting LNG terminals in Karachi with consumption centres near Lahore.<sup>126</sup>

Pakistan and Russia inked this agreement confirming that the latter lay a \$2.5 billion worth pipeline to carry imported LNG from Karachi to Lahore. The contract signed with Russia may be considered premature in the absence of a formal agreement to import LNG from Qatar or any other country.<sup>127</sup> Closer inspection of the deal by many analysts suggests the immensely favourable terms granted to the Russian company. Russian President Vladimir Putin and Prime Minister Sharif had agreed earlier, in Ufa, to award the contract to the Russian firm without bidding and extension of finance by the Russian government. Details of the financing terms are not available. The project indicates the Russian desire to supply LNG to Pakistan at some point and Pakistan's efforts to diversify economic and trade relations.<sup>128</sup> Pakistan will provide 15% and the Russian company 85% equity, investing \$2 billion. Russian firm will run the project on build, own, operate and transfer basis for 25 years, to recover cost and profit and hand it over to a Pakistani

entity.<sup>129</sup> The Government of Pakistan shall provide the sovereign guarantee.



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The Price Negotiating Committee approved by the Economic Coordination Committee (ECC)<sup>130</sup> agreed upon a fee of 85cents/million British thermal units (mmbtu), “the ideal rate for gas transmission”<sup>131</sup> instead of the \$1.2 mmbtu initially demanded fee.<sup>132</sup> Local gas utilities are paid 85 cents per mmbtu too for gas transmission through their pipeline networks. The Russian company RT Global, under US-imposed sanctions, was to implement the project. In the revised plan, Russia registered a special purpose vehicle, a local company, in Pakistan to deal with the pipeline project. It has been argued that “Foreign Office played a key role in finalising the gas price with Russia ahead of BRICS summit on 17 October 2015, in order to muster Moscow’s support against Indian influence,”<sup>133</sup> and “India has abandoned Russia” to join US camp, stimulating Pakistan to forge stronger ties with Moscow and attain much-needed support to avoid international isolation.<sup>134</sup> Russian President Vladimir Putin declined to endorse Indian Prime Minister Narendra Modi’s standpoint that Islamabad allegedly sponsored terrorism.<sup>135</sup> The Russian investment in LNG pipeline may open avenues to invest in

the energy sector including oil and gas exploration; power production and electricity export to Pakistan.<sup>136</sup> It has been argued that despite a perceived lack of incentives to deepen the relationship, Moscow has been keeping Pakistan engaged for strategic and political compulsions such as the situation in Afghanistan, terrorism, and anti-narcotics collaboration.<sup>137</sup> The Russian Ambassador referred to the 'unrealised potential' of the ties, but also noted that Pakistan was "seen [in Russia] as an important and reliable partner with whom relations could be developed."<sup>138</sup> He also referred to the geo-strategic position of Pakistan, challenges and interests shared by the two countries motivating Moscow to deepen bilateral relations.<sup>139</sup> The resolution of a longstanding economic dispute which had resulted in the freezing of Russian assets worth \$120 million in Pakistan, a major hurdle in economic cooperation between the two, enabled meeting all 'pre-requisites', and laid the foundation, increasing the chances of success.<sup>140</sup> Dedov viewed the helicopters' sale, as a 'pilot deal'.<sup>141</sup>

Pakistan invited the Russian Federation to join CASA-1000 for non-hydro electricity since there has been a vacant slot to transmit from October to April.<sup>142</sup> Russian deputy minister informed that discussions on the possibility of Russia joining CASA-1000 transmission line at off-peak hydrogenation period with Tajikistan were held and that the latter was willing to facilitate. The Russian government is opening discussions with Kyrgyzstan on this matter soon.<sup>143</sup> Parallel discussions whether the electricity import from Russia would be a commercial or a government-to-government deal were held. Dagha reported, that work on CASA-1000 to transmit hydro electricity from Kyrgyzstan and Tajikistan to Pakistan from May to September had already been started.<sup>144</sup> This will boost regional connectivity and greater regional cooperation. The feasibility of a 600MW gas-fired power plant at Jamshoro with Russian investment has already been conducted and the project document is ready for approval. He termed it as the 'most viable project' for immediate investment by Russia.<sup>145</sup>

Russian companies carrying substantial surplus capacities in thermal and nuclear power plants having rich experience in the energy sector are eager to invest in Pakistan's energy sector<sup>146</sup> to enable Islamabad to overcome energy shortages once political and commercial agreements are finalised.<sup>147</sup>

A Russian consortium of investors concluded an agreement with Khyber Pakhtunkhwa Oil and Gas Company Limited (KPOGCL) to inaugurate an oil refinery with a refining capacity of 200,000 barrels oil/day needing an investment of Rs.35 billion. The consortium comprises Russian companies Inter-Rao Engineering and Himmash Apparat in partnership with Orpheus Energy.<sup>148</sup> Chief Planning Officer KPOGCL Zainullah Shah and Yoroslav of Himmash Apparat signed the deal at Khyber Pakhtunkhwa House Islamabad on 31 January 2018.<sup>149</sup>

Imran Khan, Chief Minister Pervez Khattak, and Muhammad Atif, Provincial Minister for Energy were also present at the signing ceremony.<sup>150</sup> Currently, crude oil production is 54,000 barrels/day and will increase up to 70,000 barrels/day.<sup>151</sup> The province will get a 10% share in profit in refineries, without any investment.<sup>152</sup> Provincial Energy and Power Minister Muhammad Atif Khan said that the Russian consortium had a vast experience in the oil and gas sector and would help KPOGCL fulfil its goal of achieving self-sufficiency in the energy sector.<sup>153</sup>

To further witness signs of enhanced mutual collaboration in the field of energy, Pakistan and Russia inked, on 27 September 2018, an Inter-Governmental Agreement to initiate feasibility research of constructing the Russia-Pakistan Offshore Gas Pipeline worth \$10 billion. Russia aims at capturing the energy-starved Pakistani market and diversify its gas exports. In Moscow, Sher Afgan, Additional Secretary, Ministry of Energy and Petroleum Division, Pakistan, and Anatoly Yanovsky, Deputy Prime Minister, Government of Russia, signed the MoU. Gazprom, a state-owned Russian Energy Company will pay expenses of the feasibility study to assess the economic

viability and cost of the project. Inter-State Gas Systems (ISGS), a state-owned company of Pakistan with a mandate to build gas pipelines, would look after it from the Pakistani side.<sup>154</sup>

Pakistan brings to South Asia and Eurasia regional connectivity owing to its geo-strategic location. New vistas of land and sea routes can be linked across regions shortening the distance for the rapid movement of economic goods and services. By increasing connectivity, Pakistan can link energy deficient regions through new energy corridors with energy surplus regions. Pakistan's invitation and the Russian Federation's acceptance of joining the CASA-1000 Project is a good example to cite. Power generation in Tajikistan has already started.<sup>155</sup> In 2017, Pakistan initiated an agreement with Russia to construct a 600MW Natural Gas Combined Cycle (NGCC) power plant at Jamshoro. Both Pakistan and the Russian Federation are in contact regarding the execution of a liquefied natural gas (LNG) pipeline project, worth \$2 billion and a 1,100 km 'North-South Pipeline Project' which will transport gas from Karachi (Sindh) to Lahore (Punjab) and help reduce shortage of gas in the country. The change of government and expiry of LNG agreement with Qatar, coupled with the increased demand for energy in Pakistan may pave the way for acceleration of work on the projects mentioned above.

### **Moscow-Islamabad Rapprochement: Enhanced Defence Ties, A Paradigm Shift?**

In times of waning US influence over Islamabad, former antagonist, Moscow, attempts at erecting security, political and commercial ties that may overturn older groupings in this region and open up a fast-emerging hydrocarbon market to Russian businesses dealing in energy. The Russian embrace of Pakistan occurs when Pak-US relations unravel over the conflict and war in Afghanistan, a 180° turnaround from the 1980s. Although the Moscow-Islamabad rapprochement is in its embryonic stage, China has been filling the resultant void left in Pak-United States relations, however, a swing in

energy deals and growing military cooperation portends a closer Russia-Pakistan relationship. "It is an opening,"<sup>156</sup> said Defence Minister, Khurram Dastgir Khan. The warmth in diplomatic ties was felt in Afghanistan, where Russia began developing ties with the Afghan Taliban fighting US troops and having firm links to Islamabad to encourage intra-Afghan peace negotiations.<sup>157</sup> Moscow fears the growth of Islamic State (IS) inside Afghanistan and the spread of its fighters towards Central Asia, contiguous to Russia. IS claims of having carried out major attacks in Pakistan makes it a common enemy. On most issues we have convergence,<sup>158</sup> declared Prime Minister Shahid Khaqan Abbasi, and the relationship will grow significantly in the future.<sup>159</sup> The plan to establish a commission to combat IS militarily in the region and to continue annual military training exercises begun in 2016, the acquisition of 4 Russian attack helicopters, and of Russian engines for Air Force JF-17 fighter jets being assembled in Pakistan are some of the areas of common interest.<sup>160</sup> India, a Soviet ally during the Cold War, previously having closer relations with Russia bought Russian arms, elevated to a 'strategic partner', of the US<sup>161</sup> may become anxious in case the Russians begin sponsoring Pakistan politically, argued Sushant Sareen, a leading expert on India and Pakistan Afghanistan relations.<sup>162</sup>

Russian propositions to Pakistan provide much needed diplomatic respite in times of mounting pressure by Western powers over its alleged links to Afghan militants. The decision to place Pakistan on the watchlist of countries having inadequate terrorist-financing controls by the global financial watchdog, the Financial Action Task Force (FATF) in January 2018 is considered by Pakistan as an attempt to severely hurt Pakistan's fragile economy, a step initiated by the US with the assistance of Britain, France and Germany. The US has suspended \$2 billion in military assistance to Pakistan. For Khawaja Asif, the nation made a historic error by 'tilting 100%' to the West and must build alliances closer to home with China, Russia, and Turkey.<sup>163</sup>

"We want to correct the imbalance of our foreign policy over the past 70 years,"<sup>164</sup> Defence Minister, Dastgir Khan said. Pakistan, heavily reliant on US military weapons and aircraft previously, might have no option but to purchase from Russia.<sup>165</sup> A cooling relationship with the West has been pushing Islamabad towards China, investor of around \$62 billion in developing infrastructure in Pakistan under the China-Pakistan Economic Corridor (CPEC). Wary of becoming overly dependent diplomatically upon Beijing, Pakistan, one amongst several states that fell out with Washington is being courted by Moscow. Russia's long-term aims, however, are unclear to Pakistan, argues Petr Topychkanov, senior researcher at the Stockholm International Peace Research Institute.<sup>166</sup> For him, the issue of change in relations with Pakistan is not well known in Russia.<sup>167</sup> Debate on or explanation of what Russia wants from Pakistan is missing in public or media.<sup>168</sup> The Russian foreign ministry does not even respond to queries/comments regarding its growing closer relations with Pakistan.<sup>169</sup>

Khawaja Asif has maintained that the improvement of Pak-Russia ties is neither against nor at the cost of relation with any other country. He brushed aside notions that the Russian defence minister's November 2014 visit to Pakistan could annoy New Delhi and Washington. Terming it, 'Pakistan's independent diplomacy', he declared, "Russia is a great regional power and Pakistan cannot ignore it."<sup>170</sup> In the wake of US/NATO forces' surge/withdrawal, security will become a colossal challenge for Afghanistan, he opined, and welcomed Russian engagement in the Afghan peace process. "We must forget what Russia did in the past and look forward to a new beginning in the region."<sup>171</sup> Terming Russian and Chinese presence in the region a source of peace and stability, therefore, he mentioned that the three were getting closer on strategic matters.<sup>172</sup> Khawaja Asif also briefed his Russian counterpart, General Sergey Shoygu on relations with India.<sup>173</sup> He termed the briefing given to Gen Shoygu, ahead of Russian President Vladimir 'visit to India as very



significant.<sup>174</sup> Russia has moved Pakistan up to category B from D, easing Russian arms sales to Pakistan,<sup>175</sup> Asif revealed. Shoygu called upon former Prime Minister Nawaz Sharif, who declared, "Pakistan is keen to enhance its multi-dimensional relations with Moscow, including defence."<sup>176</sup> Former Prime Minister Nawaz Sharif thanked the visiting minister for supporting Pakistan's bid to become a full member of the Shanghai Cooperation Organisation (SCO) reaffirmed Pakistan's resolves to increase cooperation with states in the region, to counter terrorism and drug trafficking.<sup>177</sup>

Earlier, in 2012, the Russian Ministry of Defence began hosting the Moscow Conference on International Security (MCIS) annually, on the pattern of the Munich Security Conference.<sup>178</sup> The Conference has been a combination of official diplomacy, international display, and an opportunity provided to the Russian national security establishment to interact with mainly defence ministers of non-Western countries. It has become an institutionalised forum to advance the Russian policy agenda and present new issues in international security to revise familiar grievances.<sup>179</sup> Seven such Moscow Conferences on International Security have been held till today and Pakistan participated in 4<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup>.<sup>180</sup>

Pakistan was invited to, for the first time, and participated in the 4<sup>th</sup> Moscow Conference on International Security held in 2015.<sup>181</sup> On 15 April 2015, Khawaja Asif, argued that the conference will bring together defence ministers of Russia, Pakistan, Armenia, Belarus, Kyrgyzstan, Tajikistan, Argentina, Indonesia, Iran, Serbia, and South Africa, besides heads of international organisations.<sup>182</sup> The event, organised by the Russian Defence Ministry, enables states to rebuild trust in the military-to-military interaction and discusses joint efforts to counter terrorism.<sup>183</sup> The minister exchanged views on cooperation related to the defence sector with Sergey Shoygu in Moscow.<sup>184</sup> The Russians appreciated steps taken by Pakistan in the war against terrorism, prevention of drug smuggling, and action

against pirates. The joint declaration stated that both Pakistan and Russia will conduct joint military exercises;<sup>185</sup> exchange information on politico-military issues, cooperate in promoting international security, intensify counter-terrorism, arms control activities, strengthen collaboration in the military field, education, medicine, history, topography, hydrography, culture, and share experiences in peacekeeping operations.<sup>186</sup> Excitement regarding defence agreement, notwithstanding, no specific project, on procurement or joint venture, materialised. The Russian Ambassador to Pakistan, Alexey Dedov, argued 'Politically Approved' by Moscow, the deal to purchase MI-35 helicopters, had raised hopes of reaching a major agreement during the defence minister's visit".<sup>187</sup> Both sides agreed that bilateral military cooperation would not only focus on practically contributing to increase combat efficiency of both armed forces but also bolster other aspects of bilateral cooperation, according to *ITAR-TASS*.<sup>188</sup> Similarly, "both sides will translate this relationship in tangible terms and further strengthen military to military relations,"<sup>189</sup> reciprocated Khawaja Asif.

Tasneem Aslam, the then Foreign Office spokesperson, opined that Pakistan considered Russia an 'important global player' that had a stake in peace and stability of the region. She expressed satisfaction over growing cooperation and the strengthening of bilateral relations not solely in defence but in diverse fields and welcomed greater Russian contribution towards economic development projects and investment in Pakistan.<sup>190</sup> Thirty countries participated in the sixth Moscow International Security Conference held on 26-27 April 2017. The forum concentrated on fight against international terrorism, security issues in Europe and the Asia-Pacific region, role of military departments in enhancing security, counterterrorism and counter radicalism in the Middle East, security of information space, Ballistic Missile Defence (BMD) implications, and security in Central Asia.<sup>191</sup> The Russian Defence Minister, General Sergey Shoygu and Foreign Minister, Sergey Lavrov, spoke on the occasion. The UN's Under-Secretary-General, Jeffrey

Feltman read the welcome address of the UN Secretary-General, António Guterres.<sup>192</sup> Pakistan's Defence Minister Khawaja Asif highlighted challenges faced by Pakistan and success achieved during the war on terror.<sup>193</sup> Russia, China, and Pakistan's attempts at restoring peace in the war-ravaged Afghanistan have not succeeded but the US, despite being invited to Moscow to participate in the peace talks, declined. To rub salt in the wounds, the US blamed Russia for arming the Taliban but at the same time dropped the 'Mother of all bombs' on Afghanistan.<sup>194</sup>

On 3 April 2018, the Defence Minister, Engineer Khurram Dastgir Khan, in the seventh two-day Moscow International Security Conference 2018, discussed the security issues facing Europe, Asia, Africa, and Latin America. The Defence Minister declared on 4 April 2018 that Pakistan would cooperate with Russia to establish sustainable peace in Afghanistan and peace that could only be ensured by encouraging an Afghan-led peace process.<sup>195</sup> Referring to Pakistan's matchless sacrifices in the war against terrorism, he stressed, "There is no space for terrorists and their networks in the country."<sup>196</sup> He appreciated the Russian role in combating ISIS in Syria, warning, "non-state actors, representing conflicting interests in the region, will continue to threaten the fragile peace process in Syria."<sup>197</sup> He supported Russian efforts to develop a regional approach to the cessation of hostilities and conflict in Afghanistan, arguing for, "an Afghan-owned and Afghan-led internal reconciliation process," as a sole viable option of sustainable peace in Afghanistan.<sup>198</sup> The Minister viewed with concern the presence of IS, use of drug money financing terror, and phenomenal rise in poppy cultivation in Afghanistan.<sup>199</sup>

On 14 June 2015 the then Chief of Army Staff (COAS) General Raheel Sharif arrived in Moscow on a three-day official visit against the backdrop of realignments taking place in the region. His spokesperson, accompanying the COAS, reported that General Sharif was given an "elegant guard of honour" at a ceremony held at the

Kremlin. Laying of Floral Wreath at the Tomb of Unknown Soldier, sight of Russian band playing Pakistani National Anthem had perfectly been heartwarming for Major General Asim Bajwa, DG, ISPR.<sup>200</sup>

The COAS briefed Russian authorities on the current regional situation, practising proactive diplomacy launched by Pakistan to reach out to regional countries in the wake of realignments in the region.<sup>201</sup> "In the last two years, we have had more high-level visits between the two countries than in the past many years,"<sup>202</sup> Tariq Fatemi, Minister of State Foreign Affairs declared in a policy speech. "These have included ministers of power, energy, petroleum, finance, defence, foreign affairs, the army chief, and the chiefs of the other services,"<sup>203</sup> General Sharif and the Russian military leadership announced plans to hold the first-ever joint military exercise, and signed MoUs providing Pakistan with the opportunity to acquire defence equipment from Moscow.<sup>204</sup> The softening up between two cold war rivals seemed a "natural outflow of Russia's concern about what is going to happen to Afghanistan."<sup>205</sup> In case of instability in Afghanistan, militancy, and Muslim radicalism and terrorism is bound to spread to the weaker neighbouring states. China and Iran are not weak states, but the Central Asian states around Afghanistan mostly having porous borders, weaker governments, a variety of autocracies, and vulnerability to instability and ethnic conflicts are.<sup>206</sup> Militants belonging to these states have already been operative both in Afghanistan and Pakistan. Kofman views Tajikistan, Turkmenistan, Kyrgyzstan, and Uzbekistan as great targets.<sup>207</sup> Russia, maintaining a military presence in these countries besides a huge military base in Tajikistan, possesses a sizeable Muslim population of its own, has not faced severe radicalisation and militancy yet but is not immune, in case neighbouring states fall victim. Russian overtures towards Pakistan may also be to gain leverage over the Afghan Taliban via Islamabad in case the elected Afghan government falls. Russian

security services firmly believe that Pakistani intelligence services and Pakistani establishment have very strong links with the Afghan Taliban,<sup>208</sup> argues Nandan Unnikrishnan. Russia may also view Pakistan as an untapped market direct defence trade of which with Russia has been far lower than its potential, merely \$22 million, compared to billions of dollars with India. Pakistan has been getting Russian equipment via China, not known for manufacturing aircraft engines, rather known to use unauthorised Russian engines in planes. Eliminating China as a conduit may benefit Pakistan in trading with Russia “and save a lot of money,”<sup>209</sup> opines Kofman. China-Pakistan joint production, the JF-17 Thunder aircraft equipped with Russian engines, that has been in receipt of its first foreign order serves as the best example. The extent of defence cooperation between these two countries will be determined by Pakistan’s capacity to spend, since “Russia, at the end of the day, is not in a position, like the United States, to subsidise defence deals,”<sup>210</sup> he argued. Stability in Afghanistan and facilitating peace talks between the Afghan Taliban and the government of Afghanistan and role Russia and China can be an added reason.<sup>211</sup>

The Russian Commander-in-Chief, Oleg Salyukov proclaimed on 23 January 2016, that Russian ground forces will hold “the first ever Russian-Pakistani special drills in mountainous terrain.”<sup>212</sup> A total of 200 troops took part from both sides, drills took place at the Army High Altitude School at Rattu<sup>213</sup> and at a Special Forces Training Centre, situated in Cherat during the first large-scale Russian-Pakistani Druzhba-2016 exercise (24 September-10 October 2016).<sup>214</sup> On 30 March 2107, a delegation of the Russian military was invited to pay a rare visit to North Waziristan to witness the success of the Pakistan Army’s operation Zarb-e-Azb that combed and cleared this region of terrorists.<sup>215</sup>

The Russian military delegation demonstrated increased Russian interest in combating militancy in the region and Afghanistan.

The scheduled visit of the delegation to Wana, South Waziristan, did not materialise due to bad weather.<sup>216</sup>

Hosting Russian Deputy Chief of General Staff, Colonel General Isakov Sergi Yuryevich's visit to North Waziristan led analysts to point towards 'a new friendship in the making', an 'interesting and unusual' development between Pakistan and Russia.<sup>217</sup> Sanctioned by the military, the relations between the two have been 'growing rapidly' but not gone so forward yet to be called 'an alliance',<sup>218</sup> viewed Brigadier Saad, former military Attaché of Pakistan to Afghanistan.

The relationship began to mend following the visit to Pakistan, in November 2014, of the Russian Defence Minister Sergey Shogu and the signing of the Defence Cooperation Agreement.<sup>219</sup> Naval forces of both countries had participated in 'Arabian Monsoon' exercises in 2014 and 2015.<sup>220</sup> Gen. Talat Masood referred to the changing relations with Russia as qualitative. To him, President Putin was in pursuit of a clever and aggressive policy of improving diplomatic relations. The current Russian policy may neutralise Indian designs against Pakistan and save the country from isolation.<sup>221</sup> The Russian Ambassador to Pakistan called upon the Chief of Army Staff (COAS) General Qamar Javed Bajwa at General Headquarters (GHQ) and lauded the launch of Operation Radd-ul-Fasaad.<sup>222</sup> He acknowledged Pakistan Army's undeterred efforts in the fight against terrorism and commendable economic initiatives, reported ISPR.<sup>223</sup> COAS Bajwa thanked the Russian Ambassador for expressing concern over the loss of lives in Pakistan and cooperation of the Russian army with the Pakistan Army. Enhanced military to military cooperation between the two countries positively impact on the regional security situation, he declared.<sup>224</sup>

A contingent of Pakistan Army landed in Russia for the 2nd round of the bilateral 'Druzhba' Special Warfare exercises.<sup>225</sup> The military drill centring on counter-terrorism operations, including hostage and rescue and cordon and search operations lasting for 228

weeks,<sup>226</sup> will definitely enhance military ties between the two countries.<sup>227</sup> The exercises took place at a time when Pakistan had been recalibrating its foreign policy options in the wake of the new strategy announced by President Donald Trump for Afghanistan and South Asia. Pakistan has been considering Russia as a key regional player in an altered chessboard to counterbalance the potential negative consequences of President Trump's new roadmap. Pakistani and Russian positions have been converging on Afghanistan.<sup>228</sup>

COAS General Qamar Javed Bajwa, upon arrival at Moscow on 24 April 2018, met Commander of the Russian Ground Forces Colonel General Oleg Salyukov in the Kremlin Palace.<sup>229</sup> During the talks, the Russians offered to expand existing military-to-military cooperation and defence and security ties with Pakistan. With 'geo-strategically important' Pakistan, Russia "is keen to expand"<sup>230</sup> ties, a significant development at a time, when Islamabad's relationship with Washington continues to deteriorate. The Russian military commander acknowledged Pakistan's achievements in fighting terrorism and its contribution towards regional peace and stability. In contrast, the US, especially after Trump's victory, has repeatedly been accusing Pakistan of not doing enough against terrorism in Afghanistan. The Russians understand and appreciate the critical role Pakistan can play as a geo-strategically important country, hence, desire to expand its existing bilateral military to military cooperation expressed by the Russian Commander of Ground Forces.<sup>231</sup> General Bajwa reciprocated by expressing Pakistan's willingness to enhance bilateral military engagements.<sup>232</sup> He termed the role of Russia positive, capable of resolving the complex situation in the region, to continue efforts of Pakistan for keeping conflicts away from this region and "seek approaches which bring regional convergences into play rather than the divergences."<sup>233</sup> On the second day of his visit, i.e., 25 April 2018, General Bajwa met Chief of General Staff of Russian Armed Forces, General Valery Vasilevich Gerasimov and declared, "Pakistan has no

hostile designs towards any country and desires to come out of the zero-sum dynamics of the Cold War era prevalent still in South Asia.<sup>234</sup> Pakistan will keep on working towards a cooperative regional framework based on sovereign equality and mutual progress through connectivity.<sup>235</sup>

Prior to Bajwa's visit to Moscow, the National Security Advisor Lt Gen (Retd) Nasser Khan Janjua led a ministerial delegation to Russia comprising: National Security, Strategic Planning Divisions, Ministries of Defence, Interior, Defence Production, Space and Upper Atmosphere Research Commission (SUPARCO) and intelligence officials. The Russian side, led by Nikolai Patrushev, secretary of the Security Council of the Russian Federation, included the Commander-in-Chief of Land Forces of the Russian Federation, senior representatives from the Russian Security Council, Ministry of Internal Affairs, Rosoboron Export, Federal Security Services, Federal Service for Military-Technical Cooperation and Roscosmos. Details of the talks were not made public, however, Pakistan's National Command Authority in December 2017 stated the vision and potential of the National Space Program 2047.<sup>236</sup> The Pakistani search for a military hardware supplier, along with China, to replace the US as the major source of arms supply, can provide some context for understanding the agenda.<sup>237</sup>

### **Conclusion**

During the 70 years of diplomatic relations, Pakistan and Russia could not develop a steady and mutually beneficial relationship. The relations between the two countries, estranged previously during the Cold War era, have been improving since 2007, following the renewal of ties. The fast-evolving geo-strategic, geopolitical, and geo-economic, regional environment, particularly India's increasing intimacy with the US, the Afghan quagmire, threat perception from terrorist outfits, including IS, drug trafficking, energy economics,



coupled with security cooperation, might be counted as major contributors towards stimulating a convergence of interest.

In 2002 the Joint Working Groups began identifying and discussing a range of contemporary issues of mutual interest. Resultantly, a flurry of bilateral visits occurred that led to cooperation not only in diverse fields, such as trade, energy, defence, science, technology, agriculture, education, health, and information technology but also paved the way for holding the first-ever joint defence drill. Pakistan and Russia got the opportunity to translate high-level military engagements into tangible outcomes. Increased economic and security ties at bilateral and multilateral levels allude towards the direction of foreign policy, i.e., both countries are willing and prepared to cooperate after learning from the lost opportunities in the past. Although security and economic relations have to be the top priority for both, Pakistan's full membership of SCO will open for it new vistas not limited to security and economic cooperation with Russia. The distinct Indo-Russian security, economic, and political relations stretched over seven decades appear altering, following emerging fissures that led to the opening of new opportunities for security/military cooperation between Pakistan and Russia. Both Russia and Pakistan, having earlier supported rival factions in Afghanistan began demonstrating a convergence of interest by supporting a negotiated peace to Afghanistan. The reason is that both want to prevent the spread of extremism and terrorism, emanating from Afghanistan to Pakistan, Central Asia, and Russia.

Both countries are interested in trade, economic, and energy cooperation, however, a rapprochement in the form of developing security/military ties has been projected as a paradigm shift. Increased security/military ties may kickstart and strengthen cooperation in other fields too. The narcotics trade originating from Afghanistan, a major concern for Russia, and energy supply/generation, a major Pakistani concern, may serve to further cement the relationship.

President Vladimir Putin's visit to Pakistan was postponed at the eleventh hour in October 2012, for the absence of substance. Putin, recently re-elected President for another 6-year term, may now find enough substance to visit Pakistan. No Russian or Soviet President has ever paid an official visit to Pakistan.

Russian and Pakistani geo-strategic, geopolitical, and geo-economic interests have amazingly been converging on numerous international and regional issues, including peace and tranquillity, negotiations and reconciliation in Afghanistan, and the rising threat of IS to both countries, and its spread to Central Asia. Russia intends to contain the IS away, at least, from the River Amu. Pakistan wants to prevent its infiltration into FATA and adjoining areas. Having developed a better understanding of Afghanistan, the Russian leadership does regularly host Pakistani and the Afghan leaders in Moscow to resolve the Afghan conflict. Post-conflict Afghanistan may render assistance in building bridges between Eurasian states and become a harbinger of peace for the entire region, allowing projects such as Turkmenistan Afghanistan Pakistan India Pipeline (TAPI) to implement. Interestingly, Russia has been supporting Pakistan in major international forums and dialogues and President Putin's Russia does not encourage Baloch dissidents and insurgents.<sup>238</sup> The key to better relations between the two still has been security/military ties, coupled with energy economics. It is, therefore, hoped that this paradigm shift may not intensify major power rivalries, a regional 'great game', rather reduce tensions, resolve conflicts, and further develop economic integration and cooperation in the region.

Both Russia and Pakistan seem fully aware and conscious of possible threats to their growing relations emanating from international/regional powers, neighbouring states, and non-state actors. Therefore, civil and military officials of both countries regularly organise and meet in Joint Working Groups on security to curb international terrorism and advance strategic stability for more than a

decade now. Factors limiting faster growth of Pak-Russia relations may include India. Moscow's long-standing ties with India are considered a hurdle in the way of Pakistan-Russia relations because they may offend New Delhi and jeopardise Russo-India cooperation. However, Russian experts tend to believe that Russian MiG-35 jet fighters can be purchased by Pakistan without causing displeasure in India. Moscow has been concerned about the security of personnel and investment in Pakistan. Interest in developing infrastructure projects, promoting South Asian stability, such as transportation and energy, may increase and materialise if the security of Russian personnel and investments is ensured and guaranteed on a permanent basis. Russian companies are reluctant to send employees even on business trips to Pakistan fearing terrorist attacks and the precarious security situation in Pakistan and Afghanistan. Investors from Russia question the capacity of Pakistan in providing protection to their investments in case it upsets other partners of Moscow or Pakistan. Some confidence-building measures are required with neighbours too. Locating the grave sites of missing in action Soviet soldiers during the Afghan conflict in Pakistan may help build a better foundation. Greater exchange of information with Warriors-Internationalists Affairs Committee, a Russian charity and Pakistan on events of 1979-89 for a joint research project may help to heal the wounds of the past and enhance mutual trust. It will lead to increased investors' confidence and improve relations between Moscow and Islamabad enabling Russian businesses to invest in Pakistan.

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# SPECIAL ECONOMIC ZONES AND INDUSTRIAL PARKS UNDER CPEC: OPPORTUNITIES AND CHALLENGES

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## Abstract

*China introduced the policy of 'go global' (Zou Chuqu), in the 1990s to explore the overseas markets for building global brands. The strategic purpose for the establishment of industrial and trade zones abroad was to increase demand for Chinese manufactured machinery, boost export-oriented growth, restructure domestic value chain, and work overseas in joint ventures and transfer of the successful Chinese Special Economic Zones (SEZs) model. In 2006, the Ministry of Commerce of China (MOFCOM) unveiled its intentions to build more than fifty SEZs across the globe. Consequently, by 2010 more than 200 Chinese companies invested \$700 million in the development of 16 SEZs and generated \$2.5 billion dollars in revenue. Simultaneously, 10 out of 16 zones made remarkable progress in attracting investments. But Chinese overseas SEZs face four key challenges: First, lack of management capability of zone developers. Second, difficulties in coordination with host governments. Third, the lack of necessary offsite infrastructure. And fourth, financing difficulties faced by the developers. The paper, based on past Chinese experience, assesses the opportunities and challenges for SEZs under CPEC by answering the following two main questions: Will the SEZs and Industrial Parks (IPs) under CPEC face challenges similar to Chinese initiatives globally? What will be the major opportunities and*

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*challenges to SEZs and IPs in Pakistan? The paper argues that though the SEZs and IPs have a huge potential to transform the economy of Pakistan, they will fall in various administrative, financial, and legal traps, which will hinder the pace of their development.*

## پاک چین اقتصادی راہداری کے تحت خصوصی اقتصادی علاقے

### اور صنعتی پارک: مواقع اور مشکلات

محمود حسین اور سہارا محمود

#### خلاصہ

چین نے نوے کی دہائی میں اپنی 'گو گلوبل حکمت عملی متعارف کروائی تاکہ اپنی بین الاقوامی مصنوعات کو ترویج دے سکے اور اپنے عالمی برانڈز متعارف کرائے جاسکیں۔ بیرون ملک صنعتی اور تجارتی علاقوں کے قیام کا ترویجی مقصد چین میں تیار شدہ مشینری کی طلب میں اضافہ کرنا۔ برآمدات پر مبنی ترقی کو فروغ دینا، اندرونی پیداواری نظام کی تشکیل نو کرنا، بیرون ملک مشترکہ منصوبوں پر کام کرنا اور کامیاب چینی خصوصی اقتصادی علاقوں کے نمونے کی منتقلی تھا۔ 2006 میں چین کی وزارت تجارت نے دنیا بھر میں پچاس خصوصی اقتصادی علاقے بنانے کا منصوبہ ظاہر کیا۔ نتیجے میں 2010 تک 200 چینی کمپنیوں نے 16 خصوصی اقتصادی علاقوں میں 70 کروڑ ڈالر کی سرمایہ داری کر کے ڈھائی ارب ڈالر کمائے۔ 16 علاقوں میں سے 10 نے سرمایہ کاری کو اپنی طرف لانے میں قابل ذکر پیش رفت کی۔ لیکن چینی بیرون ملک خصوصی اقتصادی علاقوں کو چار اہم مشکلات کا سامنا ہے: سب سے پہلے، علاقہ ڈویلپرز کی انتظامی صلاحیت کی کمی۔ دوسرا، میزبان حکومتوں کے ساتھ تعاون میں مشکلات۔ تیسری، ضروری آف سائٹ بنیادی ڈھانچے کی کمی اور چوتھا، ڈویلپرز کو مالی مشکلات کا سامنا۔ یہ مقالہ گزشتہ چینی تجربے کی بنیاد پر سی پیک کے پیدا کردہ مواقع اور ان کی راہ میں حائل مشکلات کا احاطہ کرنے کے لئے مندرجہ ذیل دو اہم سوالات کا جواب دیتا ہے: کیا سی پیک کے تحت قائم

ہونے والے خصوصی اقتصادی علاقوں اور صنعتی پارکوں کو انہی مسائل کا سامنا کرنا پڑے گا جن کا سامنا اسی طرح کے دیگر اقدامات کو ہوا؟ پاکستان میں قائم کردہ خصوصی اقتصادی علاقوں اور صنعتی پارکوں کے لئے کیا مواقع ہیں اور ان کو کیا مشکلات درپیش ہوں گی؟ یہ مقالہ دعویٰ کرتا ہے کہ اگرچہ خصوصی اقتصادی علاقوں اور صنعتی پارکوں میں پاکستان کی معیشت کو تبدیل کرنے کی بہت بڑی صلاحیت ہے، وہ مختلف انتظامی، مالی اور قانونی مسائل کی پیٹ میں آجائیں گے، جو ان کی ترقی کی رفتار کو کم کر دے گی۔

Since opening up its economy to the world in 1979, China has achieved remarkable success in economic and infrastructure development and for the first time after the communist victory, it has become the world's second-largest economy in 2010.<sup>1</sup> But the Communist Party of China (CPC) leadership found flaws in the existing economic structure and, ultimately, in 2012, introduced the new domestic and foreign economic policy the 'New Normal'. On the foreign front, Chinese President Xi Jinping unveiled the ambitious plan to revive the Silk Road.<sup>2</sup> The Belt and Road Initiative (BRI) has two components: One Belt exclusively an overland corridor, while the 21<sup>st</sup> century Maritime Silk Road is a sea-based corridor. CPEC is a land-based economic corridor connecting China's Xinjiang region with the port of Gwadar in Pakistan. Initially, the multi-billion project was announced in May 2013 by Chinese Premier Li Keqiang.<sup>3</sup> However, the project materialised in April 2015, when Chinese President Xi Jinping paid a state visit to Pakistan and signed 51 MOUs and agreements worth around \$46 billion,<sup>4</sup> which later reached to \$65 billion.

CPEC has vital geostrategic significance for Beijing as it will connect China's autonomous region of Xinjiang with the Gwadar port of Pakistan and will reduce the 12,000 km Chinese energy and trade route via sea to 3,000 km overland. The Chinese ambassador to Pakistan described it as a 'flagship project' of China's One Belt One Road (OBOR) strategy and the former Prime Minister of Pakistan Nawaz Sharif referred to it as a 'game changer' for the whole region. The project is a combination of highways, railway lines, energy projects, special economic zones, industrial parks, and fibre optics network. Construction work on early harvest projects is in full swing and is expected to be completed by the end of 2018. Pakistan has allocated \$11 billion for infrastructure and communication projects, while \$34 billion are reserved for energy and industrial development projects.<sup>5</sup>

The formation of Special Economic Zones (SEZs) and Industrial Parks (IPs) can be traced back to the 15<sup>th</sup> century, but the narrative

gained momentum throughout the world in the post-World War II era.<sup>6</sup> The first Export Processing Zones (EPZs) were established in Ireland and Taiwan in the 1960s. The SEZs and IPs inherited a broader definition and so far 66 different topologies and classifications are used to describe Free Economic Zones (FEZs). For example, free ports, and Chinese SEZs, Economic and Technology Development Zones (ETDZs), Free Trade Zones (FTZs), and free frontier trade zones (FFTZs) are designated as EPZs, but these zones are different from classical EPZs. Some researchers described EPZs as FTZs and SEZs.<sup>7</sup>

The term Special Economic Zones (SEZs) herein refer to free trade zones (FTZs), export processing zones (EPZs), Industrial parks (IP), economic and technology development zones (ETDZs), high-tech zones, science and innovation parks, free ports, enterprise zones, and others.<sup>8</sup> SEZs possess several physiognomies including the geographically delimited and secured area managed through a single administrative authority. It offers certain benefits and incentives to businesses in the area of the zone such as a separate customs area (duty-free benefits) and modernised procedures for investment.<sup>9</sup> Additionally, a government of a particular country passes more liberal and modest laws to facilitate SEZs than those prevailing in the country. More in general, SEZs offer two main types of benefits: First are 'static' benefits such as job creation, growth of products for export, increment in revenues for the government, and growth of foreign exchange reserves. Second and more 'dynamic' benefits are skill upgrading, transfer of high technology and innovation, economic diversity, enhancement of local firm's productivity, etc.<sup>10</sup>

The rationale behind establishing SEZs is to achieve the following four policy objectives:

1. Attraction of inward foreign direct investment (FDI);
2. Generation of employment and serves as "pressure valves" to alleviate large-scale unemployment;
3. Support for economic reforms on a large scale; and

4. Establishment of laboratories to test new policies and strategies for sustainable economic growth. Economists believe that SEZs are a driving force to achieve industrial development effectively.<sup>11</sup>

Although experts believe that SEZs and IPs along the CPEC route will provide the backbone strength to Pakistan's rapid industrialisation and employment generation,<sup>12</sup> they will also fall in various administrative, legal, and financial traps, which this paper aims to highlight. The study adopts a nonpartisan approach to critically analyse the prospects, opportunities, and challenges to SEZs and IPs and provides some valuable policy recommendations to stakeholders. In line with the stated objectives, the paper is divided into different sections. The next section is dedicated to a review of the extensive literature on Chinese overseas investments in SEZs around the globe and highlighting the challenges and policy loopholes, which have disturbed the Chinese zone developers. The rest of the paper is focused on opportunities, challenges, limitations, and recommendations for SEZs and IPs in Pakistan.

### **Prerequisites for Successful SEZs**

Many factors are necessary for successful implementation of SEZs and IPs. In every case, the situations and factors might be different. However, the success of SEZs and IPs draws on some common key elements. It is noted by researchers that strong commitment and support from the government is a key factor. First, the determination and special interest of top leaders increase the chances of success and expansion of SEZs. Second, land reforms are necessary for the implementation of wide-scale export-oriented zones. The most liberal and investment friendly structure of land acquisition makes it easy for zone developers and enterprises to purchase or lease land for business activities. Third, investment incentives and institutional autonomy is another factor. The various fiscal and non-fiscal incentives and preferential policies encourage firms to invest in the zones. Other requirements are strategic location of zones, a sound



supply chain for raw material, provision of on-site and off-site infrastructure including roads, railways, electricity, gas water, sewerage, telephone, secure business and property rights to foreigners, innovative culture, clear objectives, provision of skilled and professional workforce, and ports.<sup>13</sup>

### **China's Global Experience of SEZs and IPs**

The so-called 'go global' (*Zou Chuqu*) policy was initiated by China in 1999 and was heavily supported by the Central and Provincial governments as well as Chinese policy banks, such as the China Development Bank.<sup>14</sup> 'Go Global' emboldens Chinese enterprises to go abroad to hunt for export markets for domestic products, acquire new skills and advance technology, and to invest abroad.<sup>15</sup> The policy goal was to achieve various strategic objectives by establishing overseas SEZs and IPs. The first objective was to increase demand for Chinese-made machinery and after sale services. Second, Chinese companies would be able to avoid trade barriers imposed on China by producing overseas and exporting to North America and Europe. The third was to restructure the domestic economy and boost the value chain at home. The fourth was to create economies for overseas investment and assist Small and Medium Enterprises (SMEs) in groups. Thus the 'go global' policy aims to transfer Chinese domestic model of establishing SEZs, which China believes would assist recipient countries.<sup>16</sup>

In 2006, the intentions of the Chinese government were revealed and this was to establish up to fifty SEZs in at least twelve countries. Among those, seven were identified in Sub Saharan Africa. The formation of SEZs was supported by the Chinese Ministry of Commerce (MOFCOM) with a total investment of \$2 billion. The policy plan has also explained that some 500 Chinese companies would operate in overseas ventures.<sup>17</sup> Resultantly, more than ten African countries expressed their willingness to host cooperation zones. And, for the implementation of SEZs, MOFCOM held two rounds of tenders in 2006 and 2007, respectively, where more than 120 Chinese

companies participated and exchanged proposals with the ministry. Afterwards, a panel of experts selected seven locations in Africa and some others in different continents and countries around the globe.<sup>18</sup> And the three stakeholders were involved in pilot zone projects including the Chinese developers, host country's government, and the Chinese government.

The Chinese developers and government are influential actors to implement zone initiatives in overseas countries. The Chinese government promised to provide financial support to developers through different special funds. Under the scheme, every zone developer had access to grants of RMB 200-300 million (\$29.4-44.1 million) for construction activities as well as for long-term loans of up to RMB 2 billion (\$294 million).<sup>19</sup> Developers can also apply for up to 30% subsidies from MOFCOM's Trade and Economic Cooperation Zone Development Fund for preconstruction costs including feasibility studies, travel expenditures for planning and negotiation, land purchase, preparing a bid), and in implementation (the land purchase or rent, space for factory or office, legal and notary fees, customs, and insurance). In 2007, one of China's major policy banks 'China Development Bank' had set up the China-Africa Development Fund (CADF) with a total capital of \$1 billion to support the developers' activities.<sup>20</sup> It also confirmed its intentions to invest in at least three of the seven African zones in Nigeria, Mauritius, and Egypt.

Under the 'go global' policy in 1999, Chinese company Haier established an industrial zone in Camden South Carolina, US, and in 2006 it established a second industrial zone in Lahore, Pakistan, with a local partner. Similarly, in 1999, the Chinese government entered into an agreement with the Egyptian government to build Suez Economic Area. In 2003, Chinese state-owned zone developers embarked on developing two zones in Zambia, a copper producing cluster in the copper belt province and a recreational cluster outside Lusaka. So far, China has built 12 SEZs in different countries with MOFCOM support.<sup>21</sup>

MOFCOM sources stated that most of the zone projects are still in the early stages of their implementation and by June 2010, Chinese companies had invested more than \$700 million in different zones. It is also reported that Chinese companies have invested \$2.5 billion dollars and 10 out of 16 zones have made incredible progress in infrastructure and attraction of investment. The table below provides information about Chinese SEZs in different countries and their progress. However, this table only covers MOFCOM supported SEZs. The SEZs developed by private developers are not included.

**SEZs supported formally by MOFCOM**

<b>Region</b>	<b>Zone</b>	<b>Initiated</b>	<b>Status</b>
<b>Sub-Saharan Africa</b>			
1. Zambia	Chambishi Nonferrous Metal Mining Group Industrial Park Lusaka Sub-zone	2003	Operational  Under Construction
2. Nigeria	Lekki Free Trade Zone  Ogun Guangdong Zone	2003  2009	Under Construction (Operational plans 2010) Under Construction (Operational plans 2010)
3. Ethiopia	Eastern Industrial Park	2007	Under Construction and partly operational (a cement

<b>Region</b>	<b>Zone</b>	<b>Initiated</b>	<b>Status</b>
			plant
4. Mauritius	JinFei Economic and Trade Cooperation Zone	2009	Under Construction
<b>North Africa</b>			
5. Algeria	Jiangling Economic and Trade Cooperation zone	2007	Delayed due to policy issues
6. Egypt	Tianjin TEDA Suez zone	2007	Operational
<b>East Asia</b>			
7. Vietnam	China-Vietnam (Shenzhen-Haiphong) Economic and Trade Cooperation Zone Longjiang Industrial Park	2008	Under construction
		2009	Under construction
8. Thailand	Thai-Chinese Rayong Industrial Zone	2007	Operational
9. Cambodia	Sihanoukville SEZ	2008	Under construction
10. Indonesia	China-Indonesia Economic Trade Zone	2008	Construction contract award 2010

Region	Zone	Initiated	Status
<b>South Asia</b>			
11. Pakistan	Haier-Ruba Industrial Zone	2006	Delayed (land access problems)
<b>Eastern Europe</b>			
Russia	Ussuriysk Economic and Trade Cooperation Zone	2006	Under construction and partly operational

*Source:* World Bank compilation

### **Policy Loopholes and Challenges to Chinese Overseas SEZs**

Various studies have disclosed different policy loopholes and challenges to Chinese SEZs, which are common in many countries. We have found the following loopholes and challenges:

1. Unavailability of off-site infrastructure and incoherent framework of incentives including the customs, foreign exchanges, work permits and high administrative fees in host countries.
2. Conflict of interests between stakeholders involved in SEZs development: zone developers seek high profits while host governments stress to generate large-scale employment and industrialisation through zone development.
3. Failure of large-scale generation of employment opportunities for locals and import of Chinese nationals on management and highly skilled positions.
4. Poor security conditions for Chinese nationals, lack of political will, and chaos.
5. Gaps in promised investments by zone developers and inability of MOFCOM and other financial institutions to deliver promised subsidies and incentives to developers.

6. Failure of technology transfer and generation of revenues for host government.
7. Reluctance of zone developers to pay for land acquisition for zone development and the unwillingness of host governments to provide land free of cost.
8. Low wages for local labourers and inadequate labour standards.
9. Poor domestic supply chain of raw material, which causes failure of industrialisation in the host country.
10. Poor location, lack of strategic planning, and inadequate development capability for zone development.
11. Failure of host governments to provide committed incentives and benefits.

### **Some Achievements of SEZs**

Despite many challenges, several zones substantially progressed and added a significant share to the local economy and employment generation. For example, 48 investors including Imad Oil and Gas FZE invested \$200 million, China Railway Construction Corporation (CRCC) added \$50 million, YFK Pharmaceutical FZE \$30 million, and others pledged to invest \$1.1 billion in Lekki Free Trade Zone.<sup>22</sup> The Ogun-Guangdong Free Trade Zone also attracted 35 financiers and secured nearly NGN 3 billion (around \$8.3 million) worth raw materials annually. It also paid NGN 800 million (around \$2.2 million) salaries to 2,500 Nigerian workers and NGN 500 million (around \$1.4 million) for import duties for container clearing annually.<sup>23</sup> In Ethiopia, Huajian Shoe Manufacturer had established two production plants with a capacity of 2,000 pairs per day to export to the US and European markets. It generated 2,300 jobs for locals and training to its employees. The company disclosed its plan to spend \$2 billion in the next 10 years to strengthen the manufacturing base which will provide employment opportunities for up to 100,000 Ethiopians.<sup>24</sup>

### SEZs and IPs under CPEC

The Ministry of Planning, Development, and Reforms (PDR) is the premier institution to plan and execute the national economic and infrastructure development projects. But, as the CPEC is an ambitious project executed by the two time-tested friends, the ministry has established a separate planning and monitoring division with the name of CPEC co-chaired by Minister for PDR of Pakistan and Vice Chairman of the National Development and Reform Commission (NDRC) of China. The Division is responsible to oversee the pace of work on all projects and conducting feasibility studies for proposed projects. So the SEZs also fall under the mandate of this division.

A Chinese scholar stated that SEZs and IPs along the CPEC route would provide the backbone strength to Pakistan's rapid industrialisation and employment generation.<sup>25</sup> According to the daily *Express Tribune* in January 2016, the Board of Investment (BOI) disclosed that the federal government intended to develop 48 SEZs and IPs along the corridor.<sup>26</sup> However, later 27 potential sites were identified for zones in all four provinces and the capital territory.<sup>27</sup> Khyber Pakhtunkhwa (KP) would lead with a total of 8 SEZs among all provinces, while Punjab and Balochistan follow by 7 each, 3 in Sindh, and 1 each in Gilgit-Baltistan and Islamabad territory.

#### Proposed SEZs & IPs under CPEC<sup>28</sup>

Sr. No.	Name of SEZ	Proposed Area in Acres	Target Industry
<b>Balochistan</b>			
1.	Gwadar SEZ	3,000	Mines & Minerals, Food Processing, Agriculture,

<b>Sr. No.</b>	<b>Name of SEZ</b>	<b>Proposed Area in Acres</b>	<b>Target Industry</b>
			Livestock and Energy
2.	Lasbela Industrial Estate	1,290	
3.	Turbat Industrial & Trading Estate	1,000	Date and Fruit Processing
4.	Dera Murad Jamali Industrial & Trading Estate	50	
5.	Winder Industrial & Trading Estate		
6.	Mini Industrial Estate Khuzdar	50	Mine and Minerals
7.	Bostan Industrial Estate	1,000	Fruit/Food Processing, Steel Mills, Oil and Ghee Units
<b>Sindh</b>			
1.	Chinese Industrial Zone near Karachi	2,000	
		2.	Port Qasim Textile City
3.	Marble City Karachi	3,00	
<b>Khyber Pakhtunkhwa</b>			
1.	Hattar SEZ Phase-VII	424	Food, Pharmaceuticals and Engineering
2.	Mansehra Industrial	80	Marble &



<b>Sr. No.</b>	<b>Name of SEZ</b>	<b>Proposed Area in Acres</b>	<b>Target Industry</b>
	Zone		Granite
3.	Nowshera Industrial Estate	1,000	Auto, Fruit/Food Processing and Textile value addition
4.	Chitral Industrial Estate	80	Food Processing
5.	Ghazi Industrial Estate	90	Manufacturing
6.	D. I. Khan Industrial Estate	188	Date Packaging & Processing
7.	Industrial Estate between Kohat & Karak	1,000	
8.	Bannu Industrial & Economic Zone	4,00	
<b>Gilgit Baltistan</b>			
1.	Moqpondass Industrial Estate	250	Mining & Food Processing
<b>Punjab</b>			
1.	Pind Daden Khan Industrial City	10,000	Agriculture, Textile, Food Processing, Livestock, Manufacturing and Energy
2.	Multan Industrial Estate-II	80	
3.	Rahimyar Khan Industrial Estate	450	Agriculture, Textile, Food

<b>Sr. No.</b>	<b>Name of SEZ</b>	<b>Proposed Area in Acres</b>	<b>Target Industry</b>
			Processing, Livestock, Manufacturing and Energy
4.	Bhalwal Industrial Estate	4,00	
5.	Dera Ghazi Khan Industrial Estate	3,815	
6.	Mianwali Industrial Estate	6,00	
7.	Rawalpindi Industrial Estate	2,00	
<b>Capital Territory</b>			
1.	Detail not available	N/A	N/A

More concrete and updated information is available on the website of the Division indicating the establishment of 9 SEZs across the country on a priority basis, which is given below:<sup>29</sup>

#### **Top Priority SEZs**

<b>Zone Name</b>	<b>Location</b>	<b>Area</b>	<b>Remarks</b>
Rashakai Economic Zone, M-1, Nowshera	KP	1,000	Land Acquired
China Special Economic Zone Dhabeji	Sindh	1,000	Land Earmarked
Bostan Industrial Zone	Balochistan	1,000	200 Acres have been developed
Allama Iqbal Industrial City	Punjab	3,000	

(M3), Faisalabad			
ICT Model Industrial Zone, Islamabad	Islamabad	200-500	Identification of land under process
Development of Industrial Park on Pakistan Steel Mills Land at Port Qasim near Karachi	Federal Govt	1,500	Land Earmarked
Special Economic Zone at Mirpur, AJK	AJK	1,078	
Mohmand Marble City	FATA		
Moqpondass SEZ Gilgit-Baltistan	Gilgit-Baltistan	250	Land Allotted

**Source:** CPEC, Government of Pakistan.

### Prospects and Opportunities

The Board of Investment (BOI) stated that Pakistan is an attractive destination for foreign investors based on five major magnetic characteristics for investment including the geo-strategic location, young and highly skilled workforce with English proficiency, positive economic outlook with sustainable economic growth, friendly investment policy, and SEZs.<sup>30</sup> After the December 2015 amendment in the FDI Law, Pakistan gained the most liberal and investment-friendly country status to establish SEZs. Article 36 specifically explains the benefits for zone developers that in the following words:

Zone developers have a one-time exemption from all customs duties and taxes on plant and machinery imported into Pakistan except the items listed under Chapter 87 of the Pakistan Customs Tariff, for setting up of SEZ subject to verification by the BOI.

In addition, zone developers have all kinds of tax exemption for a period of five years on all kinds of accruable income. Article 37 mentions that the zone enterprises have similar benefits as zone

developers. Besides, it offers an exemption to enterprises from all kinds of tax from June 2020 for ten years, but if zone enterprises or firms start commercial production after ten years they shall be exempted from all tax for next five years.<sup>31</sup>

The government of Khyber Pakhtunkhwa has established the Provincial Economic Zones Development and Management Company (KPEZDMC) to oversee the legal, financial, and administrative tasks of SEZs and IPs. The available information discloses the proposal of three SEZs, including the Hattar Phase 7, which will be developed over 424 acres and host food, pharmaceuticals, and engineering industries. The CEO of KP EZDMC stated that Hattar SEZ will generate some 30,000 jobs. On the other hand, Rashkai SEZ will be set up over 1,000 acres and accommodate auto, fruit, food packaging, and textile value addition industries. It is anticipated that it would generate some 50,000 jobs. Jalozai Marble and Mineral Economic Zone would be set up over 287 acres and generate some 20,000 jobs.<sup>32</sup> Similarly, some analysts predict that the CPEC would generate some 700,000 direct jobs in Pakistan by 2030 and their major portion will materialise after the SEZs establishment. So it is anticipated that SEZs and IPs will start a new era of industrialisation in the country and will contribute a substantial share to the GDP growth and employment generation.

It is also predicted that Balochistan will convert from home of terrorism to a hub of economic prosperity. Presently, it is the most deprived province of the country and the socio-economic fabric of the local population is not satisfactory. But, it is estimated that SEZs will change the entire landscape of the socio-economic status of the province.<sup>33</sup> Besides Balochistan, other provinces of the country are more populous with the mostly young and dynamic workforce and it is projected that SEZs will accommodate the youth of the country. These zones will increase manufacturing power and will boost the manufactured exports of the country. The SEZs will also encourage private investors to enter into zone areas where they will benefit from

special privileges for investment and the public-private partnership (PPP) will accelerate industrialisation and open a window to import new technology and skills in the country.

Punjab is the largest province of the country and is expected to benefit most from the CPEC projects. Five industrial estates, namely Multan Industrial Estate Phase-II, Bhalwal Industrial Estate, Mianwali Industrial Estate, Rahim Yar Khan Industrial Estate, Dera Ghazi Khan Industrial Estate and Rawalpindi Industrial Estate are supposed to become special economic zones and will generate some 150,000 jobs. Another three SEZs in Punjab province are expected to generate Rs.1 trillion (around \$7.2 billion) capital with 2,000,000 jobs.<sup>34</sup>

### **Challenges**

Although China and Pakistan are confident about the prospects and opportunities offered by CPEC, there is also a tendency about challenges faced by the SEZs and IPs. It can be argued that the SEZs and IPs under CPEC will encounter various challenges and hindrances including terrorism, poor governance and large-scale corruption, chaotic law and order situation, difficulties in land acquisition, lack of consensus among federating units, water scarcity, red-tapism in the way of zone development, etc.

Pakistan witnessed many political controversies over mega development projects such as the Kalabagh Dam which has been abandoned after mounting criticism from KP and Sindh provinces.<sup>35</sup> It is expected that SEZs might meet a fate similar to the Kalabagh Dam if comprehensive measures are not adopted to ease the tensions between the provinces over the fair share of CPEC benefits. The clash of authority and overlapping laws of the federation and its units might make the application process for zone development more lengthy and complicated, because, at the federal level, the Board of Approval (BOA) is the final authority, whereas the provincial governments have also set up parallel industrial development authorities.<sup>36</sup> Provincial zone authorities are required to forward applications received from

developers to the board of investment, which should act on the recommendations of the Board of Approvals and the Approval Committee.<sup>37</sup> Therefore, it can be said that dual-level authority may hinder the pace of the application process for zone development as well as create a clash of interests between provincial and federal governing bodies.

Pakistan is suffering from poor governance since 1947 and many mega development projects have stalled due to this. The SEZs under CPEC are no exception to this illness. The country is a victim of red-tapism which delays the process of development projects and causes inefficiency. The absence of good governance leads to corruption and no office and no tier of the public sector is immune from it. It has also spread its influence to the judiciary. The demonstration of corruption in Pakistan has many forms including financial and political corruption, nepotism, and misuse of power. As of 2017, on the Corruption Perception Index of Transparency International, Pakistan is the 117th least corrupt country out of 175 countries. Although the country is making serious efforts to curb corruption, indicators show that it will not be able to completely get rid of it in the near future.

Mega development projects may face high rates of corruption because almost every public office is full of corrupt officers who demand a bribe to pass the development projects. Similarly, poor governance and concentrated power in individuals also disrupt the efficiency of the public sector. For example, health, education, law enforcement agencies, and others.<sup>38</sup> Although the parliament passed the 18<sup>th</sup> amendment to the Constitution, which transferred substantial the powers to the provinces, the smaller provinces claim that the central government is interfering in their operations. The major reason for the tension is the route change of CPEC and the provinces are of the view that the central government will again bypass them in the phase of SEZs.<sup>39</sup>

Pakistan is committed to providing offsite infrastructure including the provision of electricity, gas, and other basic facilities to SEZs, but the country is already facing severe shortfalls of electricity and gas for the last several years.<sup>40</sup> The situation of gas shortfalls becomes more chronic during the winter seasons with gaps in domestic demand and supply. The country's domestic gas reservoirs are sharply depleting and it is facing a 40% shortage of its total demand. Prime Minister Shahid Khaqan Abbasi once said that the Sui Northern Gas Pipelines and Sui Southern Gas Company had failed to fill the gap between supply and demand. He also said that the government was not in a position to solve the problem in the near future. Resultantly, KP and Punjab provinces are the biggest victims of gas shortage facing 200 million cubic feet shortage per day.

To rescue the country from gas shortfall, the government has entered into a deal with Qatar to import LNG, but the project has become controversial due to its distribution among provinces.<sup>41</sup> The deal also has negative consequences for the Pakistani economy as the imported LNG from Qatar is \$18 per million British thermal units which is four times higher than the wellhead gas price of \$4 per MMBtu in Pakistan.<sup>42</sup> It is reported that seven approved SEZs including Quaid-i-Azam Apparel Park, Sheikhpura; M-3 Industrial City, Faisalabad; Value Addition City, Faisalabad; Khairpur SEZ; Bin Qasim SEZ; Korangi Creek; and Hattar SEZ are facing challenges of gas allocation, lack of infrastructure facilities, power supply and non-existence of telephone and internet services. The SEZ Value Addition City, Faisalabad, requested for provision of 485MW electricity, however, only 40MW was approved.<sup>43</sup>

Water is necessary for human survival, as well as for large-scale industrial production and hydropower generation. In recent years, water scarcity has become a major concern worldwide and the World Economic Forum's Global Risks Report 2013 included water crisis in top five global risks and the United Nations declared 2013 as the

international year of water cooperation. Pakistan is among those few countries that are facing a serious water crisis. Pakistan's vision 2025 document is a testament to this. The document states, "With an estimated population of 227 million by 2025, Pakistan's current water availability of less than 1100 cubic meters per person, down from 5,000 cubic meters in 1951 classifies it as a 'water-stressed' country if action is not taken urgently."<sup>44</sup> Due to inadequate planning and failure to build large reservoirs of water, Pakistan has only 30 days of water storage capacity compared with other countries of the same climate having 1,000 days storage capacity.

Water depletion is more drastic in Balochistan where seven SEZs are proposed including the Gwadar free trade zone. Former Governor of Balochistan Mohammad Khan Achakzai warned that lingering water scarcity might affect the implementation of the China-Pakistan Economic Corridor project.<sup>45</sup> In recent years, the increase in population has seriously affected Quetta, where nearly three million peoples are residing. Environmentalists warned of a stark scarcity of water, droughts, and floods in the city and around its periphery. Mud cracks can be seen in Kuchlak area some 25 km far from Quetta and these are a result of the depletion of underground water, according to Din Muhammad, a well-known environmentalist. Underwater depth also increased and it is available near 800 feet of depth, which is pumped through tube wells.<sup>46</sup> Abdul Rauf, President of Federation of Pakistan Chamber of Commerce and Industry (FPCCI) cautioned that water depletion would cost the implementation of the corridor project with increased costs of agriculture and industrial production.<sup>47</sup> The Pakistan Council of Research in Water Resources (PCRWR) has admonished that Pakistan is expected to run dry by 2025 and it needs an immediate and concrete action to combat the imminent water crisis. Moreover, water shortage is triggering tensions in the country and experts says that three out of four provinces blame the most



populous and well-developed Punjab for grabbing their water resources.<sup>48</sup>

Currently, water consumption is 23% for industrial production in Pakistan and during the assembly of one automobile, it needs 150,000 litres of water. Additionally, refining of each litre of gasoline needs 300 litres of water and thermal conversion of each kilowatt-hour energy generation needs 225 litres of water.<sup>49</sup> So, based on the current scenario, it can be predicted that SEZs under CPEC will encounter water scarcity due to a substantial quantity of water needed during and post-construction process. Almost every industrial unit in the SEZs would need water for industrial production and smooth energy supply but it is highly expected that SEZs in Balochistan will face a severe crisis of water in the near future. Water depletion will be the major hurdle for their smooth operations. Thus, it is the need of the hour that Pakistan should declare an emergency for construction of water reservoirs.

Terrorism is another menace, which Pakistan is facing for the last three decades. Besides terrorism, the country is affected by ethnic, religious, sectarian, and linguistic conflicts. After the post-9/11 American invasion in Afghanistan, a new wave of terrorism has started, which damaged the economic and social fabric of the country. In retaliation, the Taliban began targeting military, police, security agencies, and public in Pakistan. The terrorist activities undermined economic growth and destroyed the physical and human infrastructure of the country. The infrastructure of health and education often affected by terrorism, which leads to scarcity of clean drinking water, sanitation facilities for a society, medical care, and a decline in education standards and low enrolment rates. All of these factors negatively contributed to national economic growth, trade, and inward foreign direct investment. For the past one and half decades, investors fled from the country showing a reduced trust of investors on the national security apparatus.<sup>50</sup>

The security situation is complex in Pakistan as a whole and particularly in Balochistan, where a larger part of CPEC will go through and seven zones will be developed. Gwadar port is also located in Balochistan and has a vital position in CPEC for regional connectivity. It can become the new hub of economic activity for the country, but development of Gwadar is only possible after taking the locals into confidence.<sup>51</sup>

Balochistan has suffered from insurgency and separatist movements for the past two-and-a-half decades. Many nationalist groups are operating in the province and occasionally targeting military installations, personnel, and workers on development projects. They expressed their opposition to the multi-billion project and argued that CPEC will convert an indigenous majority into a minority after large sums of development funds flow into the area and outsiders settle down in the province. On a similar pattern, they argue that Islamabad wants to exploit the natural resources of the province and is unwilling to offer them their due share. The evidence of lethal terrorism can be seen from 2007 to 2014, in the form of some 1,040 terrorist attacks in Pakistan out of which 23% occurred of terror incidents happened in Awaran, Gwadar, Kech, Khuzdar, Lasbela, and Panjgur districts of Balochistan.<sup>52</sup> The responsibility of terrorist attacks was claimed by the Balochistan Liberation Front (BLF), Lashkar-e-Balochistan, Balochistan Liberation Army (BLA), and Baloch Republican Army (BRA).

In 2015, armed militants attacked the Jiwani Airport and killed two electronic engineers and kidnapped one. The Balochistan Liberation Army (BLA) claimed responsibility and reiterated to halt the work on CPEC. The same year, another incident took place on the outskirts of Gwadar port, where at least four workers lost their lives during the offloading of a cement container. This time the Baloch Republican Army claimed responsibility for the attack. In April 2015, 20

construction workers were shot dead and three left injured by the terrorists.<sup>53</sup>

Security threats are medium in Sindh and KP and low in Punjab. In Karachi and interior Sindh, various wings of militant, sectarian extremists, and criminal gangs are operating. During the period between 2007 and July 2014, 962 terrorist were attacks reported in Sindh and 889 took place alone in Karachi. Most of them targeted law enforcement agencies, civilians, Shia and Sunni religious communities, and others. At the same time, Tehreek-i-Taliban Pakistan (TTP) developed a strong foothold in Karachi along with Lashkar-e-Jhangvi and Sipah-e-Muhammad.<sup>54</sup> The federal government with the collaboration of provincial government has already deployed boots on the ground to curb the militancy and has started counter-terrorism and combing operations across the city, in which security forces captured hundreds of terrorists and unearthed a large amount of ammunition. Although the security situation is better than the 2013, a lot is still needed to develop the confidence of local and foreign investors in SEZs.

Another major challenge for Pakistan is poverty and unemployment among youth. It is expected that CPEC and SEZs would generate thousands of jobs for Pakistani nationals, but it is anticipated that Pakistani's would be hired as low-skilled workers due to lack of management and administrative experience.<sup>55</sup> Balochistan is a much-deprived part of the country where nearly 45.68% population lives below the poverty line and it needs a gigantic share from job generation.<sup>56</sup> But it is worthy to note here that Chinese companies and enterprises may hire Chinese nationals for high skill, administrative, and management positions by following their traditional employment culture in Africa and other countries. The Chinese zones failed to create massive job opportunities for the indigenious population and were reluctant to transfer technology to host governments.<sup>57</sup>

SEZs encompass a colossal part of the land for development and operational activities but Pakistan has already witnessed adverse issues of land acquisition for a Chinese-led SEZ on the outskirts of Lahore. Haier-Ruba SEZ was established in December 2006 but fell in doldrums on land acquisition when zone developer refused to purchase 4,218 acres of land from its own pocket and pushed the government to provide land for zone development.<sup>58</sup> Besides land acquisition, resettlement is another factor for delay in mega development projects.<sup>59</sup> It can be argued that in future same issues will occur during SEZs development when the developers will refuse to purchase land and put an extra burden on the Pakistani economy to purchase land. So before taking practical steps, it is important for Pakistan to discuss this issue with the Chinese government.

Sick industrial units will have inescapable impacts on SEZs along the CPEC route. In KP alone, 415 out of 646 industrial units have been closed in four old industrial estates of Hayatabad (Peshawar), Gadoon Amazai, Hattar, and Nowshera and over 20,000 workers were retrenched. Likewise, 247 out of 449 units in other nine industrial estates have also been closed down and more than 5,000 workers lost their jobs.<sup>60</sup> These sick industrial units will obstruct the way of new SEZs in Pakistan because industry owners and enterprises have already argued that the government has failed to provide them with basic facilities of offsite infrastructure, electricity, and uninterrupted gas supply, which caused them to close their business in Pakistan.

Lack of consensus between the provinces and poor planning of SEZs can also lead to controversies. Opposition parties and small provinces have already raised their concerns over the route change of CPEC which led to serious tensions between the provinces and the central government. The small provinces stated that a change in the route will only enhance the political and economic dominance of Punjab province in policymaking. KP and Balochistan are, the major provinces opposing the change of route. The KP government

expressed its concerns over the development of eastward route, which completely bypassed the entire province and raised its reservations over unfair distribution of projects. The Balochistan government also expressed its key concerns on a similar pattern. To reduce the misinformation and controversy, former Prime Minister Nawaz Sharif proposed a steering committee, but the committee lacked the power, mandate, and knowhow about CPEC projects. It is recommended to the Central government that it should establish a national commission, including the Chief Ministers from all provinces with one expert from each province.<sup>61</sup>

CPEC agreements have long-term structural consequences, which may possibly have negative impacts on Pakistan's economy. Economic experts have already raised their concerns over secrecy and confidentiality of the agreements. Kaiser Bengali and Ashfaq Hasan Khan argue that there is a lack of transparency in the entire venture, which gave birth to doubts about the breakdown of investment in the aforesaid areas of cooperation.<sup>62</sup> Experts also warned the government about the nature of loans. From available details about the CPEC projects, there will be no public bidding or announcement of projects, which will prevent the most cost-efficient companies and enable Chinese state-owned enterprises to win the biddings. It is suspected that a major portion of these loans will be channelled back to China benefiting Chinese construction companies and experts. The Senators inquired about CPEC agreement but the Minister for PDR Ahsan Iqbal stated that the agreement was confidential and could not be made public.<sup>63</sup>

The experiences of Chinese zone developers in Africa and other countries have displayed their failure to arrange financial investment in zone development. The four zones in Africa revealed the inefficiency of zone developers for investment. China started to develop Lekki FTZ, Ogun-Guangdong Zone in Nigeria, Eastern Industrial park in Ethiopia, and JinFei Zone in Mauritius. However, all

the zone developers failed to invest committed investment and complained that Chinese central and provincial governments did not honour their committed investments. They also exposed the failure of Chinese policy banks (Bank, 2011, Deborah Brautigam, 2013). So this inadequate experience of Chinese zone developers discloses that SEZs in Pakistan may face similar challenges by zone developers and from the Chinese government. If Chinese government and the developers will repeat their experience in Pakistan, it will have negative impacts on the fate of the SEZs and industrial development in Pakistan, because the country is not in a position to finance such kind of mega industrial projects. The financial gaps will crunch the hopes of rapid industrialisation and job creation in the country, which will push Pakistan back into a stark economic, social, and political chaos.

### **Limitations**

The idea of SEZs under the flagship of CPEC is at an early stage and both China and Pakistan are still in the discussion process. Based on available information, the authors have tried their best to picture all the relevant prospects, opportunities, and challenges to the SEZs in Pakistan. Besides all the available information we faced many challenges and limitations during the writing process that are given below:

1. Unavailability of accurate numbers of SEZs under CPEC;
2. Lack of information about the policy, planning, and implementation of proposed SEZs;
3. Unavailability of the official draft of the CPEC agreement;
4. Lack of clarity and ambiguity in government official's statements regarding SEZs projects; and
5. Lack of response from the Ministry of PDR for information about SEZs.

## Recommendations

The concept of SEZs and IPs is relatively more attractive for developing economies. They believe that the SEZs are engines for fast and sustainable growth but the development of SEZs in different countries have had different results. It exposed that it is not a panacea and it cannot implement similarly in every country. It needs a careful analysis of different perspectives of the target country. So on the basis of the current scenario, we give the following recommendations to the policy-makers after assessment of the loopholes and challenges faced by the Chinese SEZs in different countries.

1. Ensure strategic location, comprehensive feasibility, and master planning for SEZs success;
2. Integrate SEZs with existing industrial clusters and ensure smooth supply of raw material;
3. Improve the governance structure in Pakistan including improvement in law and order situation, eradication of red-tapism, and abolishment of corruption;
4. Ensure high-level political support and broader commitment to SEZs and form a high-level committee monitoring the pace of work on SEZs projects;
5. Build consensus among the provinces on mega development projects and ensure that smaller provinces get their due share in SEZs. Likewise, it is necessary to form a ministerial-level committee for resolution of differences among the provinces;
6. Provide state of the art offsite infrastructure and make sure the uninterrupted supply of electricity, gas, and water to SEZs;
7. Take necessary measures to build large-scale water reservoirs as well as invest in search for new natural gas reservoirs;
8. Take necessary measures to acquire large-scale land for SEZs and prepare comprehensive plans for resettlement of the displaced population;

9. Ensure the development of sound legal and regulatory frameworks and cement them by addressing the challenges of institutional design and coordination;
10. Promote private sector participation and public-private partnerships (PPPs), along with technical assistance for structuring and negotiating PPP deals;
11. It is strongly recommended to the government that it should provide the details of the CPEC agreement for cost and benefit analysis;
12. Secure highly skilled and administrative jobs for the local population in SEZs; and
13. Make sure and smooth and uninterrupted financial investment by zone developers and enterprises.



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# INDO-US RELATIONS UNDER MODI: FROM CONVERGENCE OF INTERESTS TO EMBRACE

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## Abstract

*This paper aims to highlight a promising change in the relationship between the US and India under the leadership of Prime Minister Modi. He appears to be a harbinger of change for Indian foreign policy which was restrained and hesitant in the past. India and the US came closer due to a variety of factors. The mutual economic benefits are playing an important role in keeping the coalition. However, reasons like China's growing regional influence and the unending war in Afghanistan have compelled the US to have a strong strategic partner in the region. The study dwells upon the careful, well thought, and sustained progress in Indo-US relations during the Obama administration. It also highlights the highs and lows of Indo-US relations under the Trump administration.*

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مودی حکومت کے دور میں بھارت امریکہ تعلقات: مفادات  
میں ہم آہنگی سے باہم ہونے تک  
مریم مستور

خلاصہ

یہ مقالہ وزیراعظم مودی کی قیادت میں امریکہ اور بھارت کے درمیان تعلقات میں اُمید افزا تبدیلی پر روشنی ڈالتا ہے۔ مودی اُس بھارتی خارجہ پالیسی کے لئے تبدیلی کے پیشوا ثابت ہو رہے ہیں جو ماضی میں ہچکچاہٹ کا شکار رہی۔ بھارت اور امریکہ مختلف وجوہات کی بنا پر ایک دوسرے کے قریب آئے۔ باہمی معاشی فوائد بھارت اور امریکہ کو ساتھ رکھنے میں ایک اہم کردار ادا کر رہے ہیں۔ تاہم خطے میں چین کے بڑھتے ہوئے اثر و رسوخ اور افغانستان میں ایک نہ ختم ہونیوالی جنگ نے بھی امریکہ کو ایک مضبوط ترویجی اتحادی بنانے پر مجبور کیا ہے۔ یہ مقالہ اوہامہ انتظامیہ کے دور میں بھارت امریکہ تعلقات میں ہونے والی محتاط، سوچی سمجھی اور مسلسل ترقی کا احاطہ کرتا ہے۔ مقالہ ٹرمپ دور کے بھارت امریکہ اُتار چڑھاؤ پر بھی روشنی ڈالتا ہے۔



*The promise and potential of this relationship had never been in doubt. This is a natural global partnership and has become even more relevant in the digital age. It is needed even more in our world for far-reaching changes and widespread turmoil. The success of this partnership is important for our progress and for advancing peace, stability and prosperity around the world. From the turn of the century, we had begun transforming our relationship, but we have to convert a good start into lasting progress. This requires translating our vision into sustained actions and concrete achievements.*

Modi-<sup>1</sup>

India had always been important for the US. During the Cold War era of non-alignment, India was the second country after Israel to receive economic and military assistance from the US. In 2008, India and the US signed a civil nuclear deal. It laid the foundation of the strategic partnership between India and the US. However, there were still some hesitations on the part of India, in the Congress era. The reason for this could be the weak coalition government of the Congress. The new government of the Bharatiya Janata Party (BJP), under the leadership of Prime Minister Narendra Modi, reinvigorated the ties between India and the US.

The economic boom in China is also instrumental in bringing India and the US closer. As the 'Pivot to Asia' is becoming more assertive in world politics, the US is becoming keener to have a partner to check the growing power of China in the region. Therefore, despite having a history of a visa ban by the US on the then chief minister of Gujarat, Narendra Modi owing to his alleged involvement in the massacre of Muslims in 2002 and a fierce Indo-US diplomatic row of 2013,<sup>2</sup> India and the US have started a new journey of strategic partnership based on 'mutual interests'.

This paper aims to highlight the emerging partnership of India and the US under Prime Minister Modi. It is divided into three sections, the first section portrays the historical estrangement of the US and India and then the 'convergence' of Indo-US interests after 9/11. The

second section discusses the theoretical explanation of the change that is seen today: an 'inward' looking India, is establishing enduring partnerships with not only the US but also Japan, Australia and even Israel. The third section highlights the Indo-US relations during the four years of Modi's government. It deliberates upon the four visits of Prime Minister Modi (during the Obama and Trump administrations) to the US and President Obama's historic visit to India. The discussion broaches various aspects of these visits.

Before unfolding the new chapter of Indo-US relations, it is imperative to understand the dynamics of Indo-US relations through history.

### **Indo-US Estrangement of the Past**

In the past, India and US did not share a cordial relationship. During the Cold War, the Indian Prime Minister Jawaharlal Nehru started the Non-Aligned Movement which aimed at taking no side in the bipolar international system. To the contrary, Pakistan sided with the US. Interestingly, India, despite being a champion of the Non-Aligned Movement received considerable assistance from the communist Soviet Union.

The events of 9/11 gave an impetus to pragmatic changes in world politics. In South Asia, a close alliance between the US and Pakistan was formed. However, at the same time, the US and India also developed closer ties. The Indo-US nuclear deal of 2008 is a formidable development in the relationship of both countries. President Barack Obama irrevocably supported India's inclusion as a permanent member of the Security Council during his visit to India in November 2010.

During the 1950s and early 1960s, the US dominated the course of the US-Pakistan relations in the form of Pakistan joining the military engagements, such as Southeast Asian Treaty Organisation (SEATO) and Central Treaty Organisation (CENTO). During the 1980s, the US was actively engaged with Pakistan in the fight against the

occupation of Afghanistan by the Soviet Union. On the other hand, in 1983 India vehemently criticised Reagan's Strategic Defence Initiative (SDI).

Regardless of the Soviet Union's influence on India and its eager involvement in the Non Aligned Movement, its criticism of US policies and its three wars with Pakistan, India was never neglected by the US. According to Stephen Cohen, although India declined to join the US-sponsored alliances, yet it received more than Pakistan in economic and military grants and purchased about \$55 million in military equipment from the US<sup>3</sup> According to recent statistics released by the USAID, India tops the list in receiving US economic assistance since 1947 (Table 1).

**Table 1**  
**Top 10 Countries Receiving US Economic Assistance from 1946-2012**

1.	India: \$65.1bn	6.	Vietnam: \$41bn
2.	Israel: \$65bn	7.	Iraq: \$39.7bn
3.	United Kingdom: \$63.6bn	8.	South Korea: \$36.5bn
4.	Egypt: \$59.6bn	9.	Germany: \$33.3bn
5.	Pakistan: \$44.4bn	10.	France: \$31bn

**Source:** India biggest recipient of US economic assistance over a 66-year period: USAID, *Dawn*, 14 July 2015.

It may be noted that the list indicates only economic assistance. Military assistance is not included. Table 2 below shows a comparison of US economic assistance to both India and Pakistan since 1949. Table 2 clearly indicates that India has always been given more economic assistance by the US when compared with Pakistan.

**Table 2**  
**US Economic Assistance to India in comparison**  
**with Pakistan since 1949**

<b>Year</b>	<b>India US \$ (Million)</b>	<b><u>Pakistan</u> <u>US \$ (Million)</u></b>
1962-2008	12776.2	11342.3
1953-61	2407.5	1418.7
1949-52	248.7	11.1

**Source:** Saeeda Sultana et al. "The U.S. Economics Assistance to India & Pakistan: A Comparative Study," *Pakistan Journal of Social Sciences (PJSS)* Vol.33, No.1 (2013), pp.25-35. The figures mentioned in the graph are in million US dollars. The figures have been rounded for clarity

Interestingly, during the Sino-India crisis of 1957, India received a considerable amount of aid from the US.<sup>4</sup> In addition, after the Indo-China war of 1962, India received 80 million dollars of assistance from the US<sup>5</sup> Walt Rostow was of the view that India was the reason behind the US intervention in Vietnam. On the basis of the domino theory, he believed that the US feared that, if communism succeeded in Vietnam, India, the most important of all dominoes, would become a communist state.<sup>6</sup>

In the early 1990s, Clinton's administration was not so friendly towards India. India wanted to pursue its missile defence system but the Clinton administration insisted that India should sign the Comprehensive Test Ban Treaty (CTBT). India refused to do so, declaring that it would "never sign this unequal treaty, not now, not ever."<sup>7</sup> For Pakistan, the post-Cold War period of the 1990s was the period of complete disengagement with the US. The Pressler Amendment was imposed in 1990 with a view to discontinuing economic and military assistance to Pakistan and pressurising it to roll back its Nuclear Programme.<sup>8</sup> During the Cold War and even after that, India never expressed complete trust in US policies. In contrast, Pakistan always played the role of an ally even when its Islamic identity was at stake during the Suez Canal Crisis of 1956. Despite the history of

Indian distrust of the US, in contemporary world politics, India has emerged as an “indispensable partner and a trusted friend”<sup>9</sup> for the US

In the late 1990s, the US explicitly began to show a tilt towards India. Washington and New Delhi turned from “estranged democracies” of the Cold War to “engaged democracies” of the post-Cold War era.<sup>10</sup> Indo-US two-way trade doubled to some \$14 billion annually between 1992 and 1998. The US became India's largest investor, providing \$2.3 billion of India's \$12.6 billion foreign direct investment (FDI) between 1991 and 1999. In 1999, India shipped more exports, especially software and other high-tech goods, to the US than to any other country and the total Indian exports to the US crossed the \$9 billion mark.<sup>11</sup>

In 1998, both India and Pakistan tested their nuclear weapons and acclaimed their inclusion in the handful of nuclear-armed states. The US consequently had to impose sanctions on both countries. But ignoring the imposition of sanctions, the US and India indulged in strategic and security talks. The former US Deputy Secretary of State, Strobe Talbott and the then Indian External Affairs Minister Jaswant Singh assured to form a “ framework of India’s nuclear security interests and the US-led nuclear non-proliferation regime.”<sup>12</sup>

Later, in 2000, President Clinton’s visit to South Asia clearly demonstrated the interest of the US in India. In India, President Clinton stayed for five days. To the contrary, nothing was offered to Pakistan. Regarding Kashmir, President Clinton expressed concerns and reiterated the offer on the part of the US to assist if both India and Pakistan so desired, but he did not suggest any possibility of a forced mediation.

The China factor also played a vital role in bringing the US and India closer to each other. China’s economic boom made the US form a neo-containment policy in South Asia. India being unfriendly to China, best suited the agenda. China’s strategic alliance with Pakistan and the

China Pakistan Economic Corridor (CPEC) project also brought India and the US closer.

A picture below, best describes the reality of China, Pakistan and India-US relations.



**Source:** Bruce Riedel, "One year of Modi Government: Us versus Them," *Indian Express*, 25 May 2015.

In the Fiscal Year 2000, India became the largest recipient of US development and food aid in South Asia. With the start of the 21<sup>st</sup> century, India also changed its stance on nuclear proliferation in favour of US policies. In 2001, India lauded President Bush's new framework for seeking "to transform the strategic parameters on which the Cold War security architecture was built."<sup>13</sup> India also supported the dumping of the Anti-Ballistic Missile (ABM) treaty and the initiation of the Missile Defence Program by the Bush administration. It was a clear indication that India was getting ready to accept its new role as a regional power, sponsored and urged on by the US.

However, Pakistan again appeared as a "geo-strategic compulsion" for the US after the events of 9/11. Had it not been for 9/11, Pakistan would have remained low on the policy agenda of the US, but it has to secure its 'security interests' especially vis-a-vis India's involvement in Afghanistan.<sup>14</sup>

The events of 9/11 have increased India's importance for the US. Its approaching exit from Afghanistan has also provided another vector for Indo-US cooperation. Unlike Pakistan, India has all the power to manoeuvre its own strategic interests in the region. India had gifted four MI-25 attack helicopters to Afghanistan in August 2016.<sup>15</sup>

In 2005, to increase US involvement in South Asian politics, India suggested that the US should be given observer status in the South Asian Association of Regional Cooperation (SAARC). Many see it as a counterbalancing act by India, as Pakistan requested the same, for China. In the new great game in South Asia, players like India and Pakistan are likely to work as 'client states'.<sup>16</sup>

However, the announcement of the nuclear deal by President Bush and Manmohan Singh in 2005 raised political problems within India. It appeared that India will no longer honour its commitment regarding nuclear cooperation with the US. Amid suspicions, in 2007, Under Secretary of State, R. Nicholas Burns said that India had no sense of clear identity, with one foot still in the non-aligned camp. He also said that Pakistan was number one partner for the US against 'Al Qaeda'.<sup>17</sup> Eventually, sensing the benefits India could get through this deal, Prime Minister Manmohan Singh and President Bush signed the 123 Agreement on civil nuclear energy in October 2008.

Interestingly, despite the existence of strong relations between the US and India, India backed the UN resolution on the Richard Goldstone Commission's report, which heavily criticised Israel for its December 2008 military offensive against Gaza. It was not appreciated by the US, as it was taken as India's attempt to maintain a status-quo in the 'Non-Aligned Block'. According to George Perkovich, there should be realistic parameters of relations between India and the US. The US should move towards India only if its interests lead to that direction. He disapproved of the special treatment the US was giving to with India.<sup>18</sup>

The Indo-US Strategic Dialogue initiated by President Bush was being enthusiastically carried out by the Obama Administration. Other than that, President Obama's visit to India alone in South Asia demonstrates that the US interests strictly lie with India. In September 2014, Modi, the new Prime Minister of India, whose entry was banned in the US was invited by President Obama.<sup>19</sup> And in January 2015, President Obama visited India.

Initially, the Trump administration showed enthusiasm towards India. During the elections campaign, Trump used the same tagline as of Modi, "ab ki bar Trump Sarkar." Modi was among the first five world leaders with whom Trump had a telephonic conversation after assuming office. However, Indo US relations are again experiencing some 'hesitations', this time on part of the US owing to Trump's 'America First' policy. The details are discussed in a later section.

Nonetheless, India, being a market of more than one billion people, was never less important for a capitalist country like the US. It is said that India is the second country after Israel, to which the US has relentlessly offered and demanded little in return.

### **Why this Shift?**

As mentioned earlier, the US has always been keen to establish relations with India, however, this time India is also eager to give life to this 'natural alliance'. The most obvious reason for this glaring shift might be a changed world order in the aftermath of the war on terror. The Taliban with their resilient presence have compelled the US to look for some strategic partner in South Asia. Pakistan, the non-NATO ally of the US is not fully trusted by the US, owing to its alleged links with the Haqqani Network. India, which accuses Pakistan of exporting terrorism to its soil, is the most suitable 'natural ally' available for the US strategic partnership in South Asia. Since 2002, India has conducted more joint military exercises with the US than any other country.<sup>20</sup>



Other than that, China's rise has become a cornerstone of the Indo-US strategic partnership. The Gross Domestic Product (GDP) growth (in purchasing power parity) of China is \$17.63 trillion and that of the US is \$17.43 trillion.<sup>21</sup> The race for becoming an economic hegemon is shaping the contemporary world order. Since the end of the Cold War, capitalism is the new consistent world order. Francis Fukuyama rightly calls the end of the Cold War as the 'end of history'. In the contemporary world order, economic necessities encourage alliances and thwart war.

It would be interesting to note even the body language of Modi (pictures below), which clearly demonstrates a cordial 'engagement' with the US, and 'conengagement'<sup>22</sup> with China.



**PM Narendra Modi and President Xi Jinping in Beijing (May 2015)**

**Source:** Prime Minister Narendra Modi (right) and Chinese premier Li Keqiang review an honor guard during a welcome ceremony outside the Great Hall of the People in Beijing, China. Photo: Reuters available on livemint.com

An overwhelming gesture by Prime Minister Modi for President Obama, President Obama seem a bit startled yet corresponded with an embrace (January 2015)<sup>23</sup>



**Source:** "Obama arrives in India to a warm welcome from Modi," *The National*, 25 January 2015.

However, the story seems different in the following picture, in which Modi enthusiastically extended his hand towards President Trump. He, however, preferred to maintain a distance. The same is evident from his policies.

### Trump and Modi



**Source:** "Trump and Modi meet amid silence over India's persecuted Christians," *Asia News*, 30 June 2017.

India and the US, have based their relations with China on the policy of engagement. They are actively engaged in economic activity with China, and at the same point, they wish to restrain China's strategic influence. For instance, in 2013, US goods trade with China was over \$560 billion, almost nine times than that with India.<sup>24</sup> India's own trade with China is \$70 billion. Here, a question arises, that though the world order has changed since the Cold War, why has India realised this change, very recently? Why is there a sudden shift in India's foreign policy?

Various theorists have suggested certain factors that lead to a change in the foreign policy of a country. Few studies might help in understanding a 'sudden' shift in India's foreign policy. For instance, Kjell Goldmann, talks about three sources of change in the foreign policy of a country; these are "a) changing environmental conditions leading to policy changes in the form of adoption b) policies themselves in the sense that change in the form of learning is a consequence of negative feedback with regard to previous policy and (c) a residual type which is a function of neither adaptation nor learning but of other external factors."<sup>25</sup>

However, Goldman believes that all policies are based on "sets of ideas." Therefore, it's always the idea that brings a change in foreign policy-making. He further categorises the changes in ideas such as, "a) rethinking by an individual within the system b) a change in the composition of the system c) A change in the balance of power between the members of the system."<sup>26</sup> Rethinking of an idea even within a system is performed by an individual, a change in the composition of the system, or a change in the balance of power, is also recognised by any individual or individuals. Communism was also just an idea constructed by Karl Marx.

Another theorist, Charles. F. Hermann posits four different sources for a change or shift in the foreign policy of a country. The primary change agents are characterised as leader-driven, bureaucratic advocacy, domestic restructuring and external shock.

They can “work slightly in tandem or interact with one another in more complex ways as sources of change.” Herman’s basic assumption is that to affect a change in governmental foreign policy, the agents described above must act upon the governmental decision process.<sup>27</sup> And who takes the decision; it’s always an individual in charge of the government. Therefore, both the theoretical frameworks suffice that a leader or an individual is the most important source of change in the foreign policy-making of a country.

The current wave of change in India’s foreign policy depicts that India has adopted an idiosyncratic path in foreign policy-making. It seems that India has dropped the cloak of near-perversity and adopted a pragmatic approach based on realism. Modi’s Prime Minister-ship has made India’s foreign policy more vibrant, rather aggressive and open to interaction with other countries. Indo-US relations that reached a standstill, despite concluding a dynamic nuclear deal in 2008 under the leadership of Manmohan Singh, are again flourishing under the leadership of Narendra Modi.

Despite the fact that the US denied a visa to Modi in response to the Gujarat riots in 2002, President Obama formally invited the new prime minister of India. Here, the external environment of the region, as indicated by Goldmann, which is promising greater economic opportunities, made the US to strengthen cooperation with India. One other factor worth mentioning is BJP’s landslide victory in India. In this scenario, Modi’s government is strong enough to take decisive decisions when compared with the weak coalition government of Congress. Prime Minister Modi’s decision on demonetisation in India can also be seen in this context.

### **Visits and Outcomes**

Hitherto, Indian Prime Minister Narendra Modi has paid four visits to the US in September 2014, in September 2015, June 2016 and June 2017. In the following paragraphs, various developments in Indo-US bilateral relationship along with the initiatives taken during the

Modi-Obama and Modi-Trump meetings over the period of four years shall be discussed.

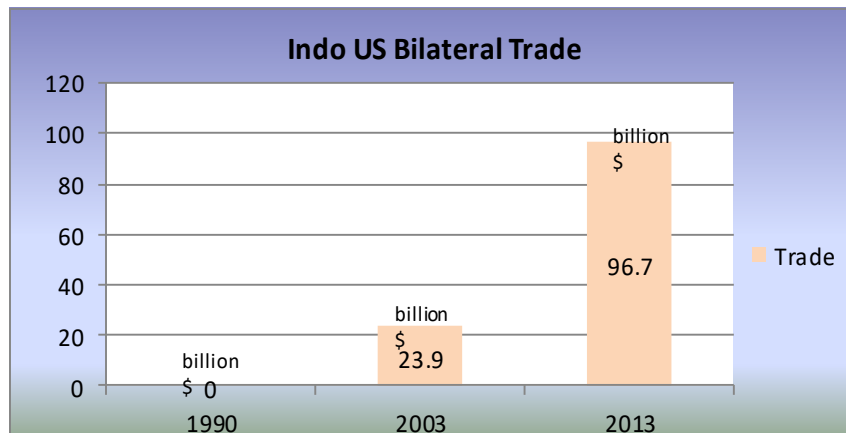
### **First Visit of Prime Minister Modi to the US (14 September 2014)**

Prime Minister Modi visited the US for the first time in September 2014. During this visit, various issues ranging from mutual economic interests to installation of nuclear reactors in India were discussed. Before discussing details of the initiatives taken during the visit, it is imperative to have an understanding of Indo-US economic relations in this economy-driven world order.

### **Development in Trade and Investment Relationship**

Since the initiation of the Indo-US nuclear deal, Indo-US relations grew at an impressive pace. In 1990 the Indo-US trade was 5.6 billion dollars, in 2013 the total Indo-US trade grew to 96.7 billion dollars which was a 400% increase from 23.9 billion dollars in 2003.<sup>28</sup> Figure 1 below shows a sharp increase in trade in the three decades, since 1990. The numbers shown are in billion dollars.

**Figure 1**  
**Indo-US Bilateral Trade**

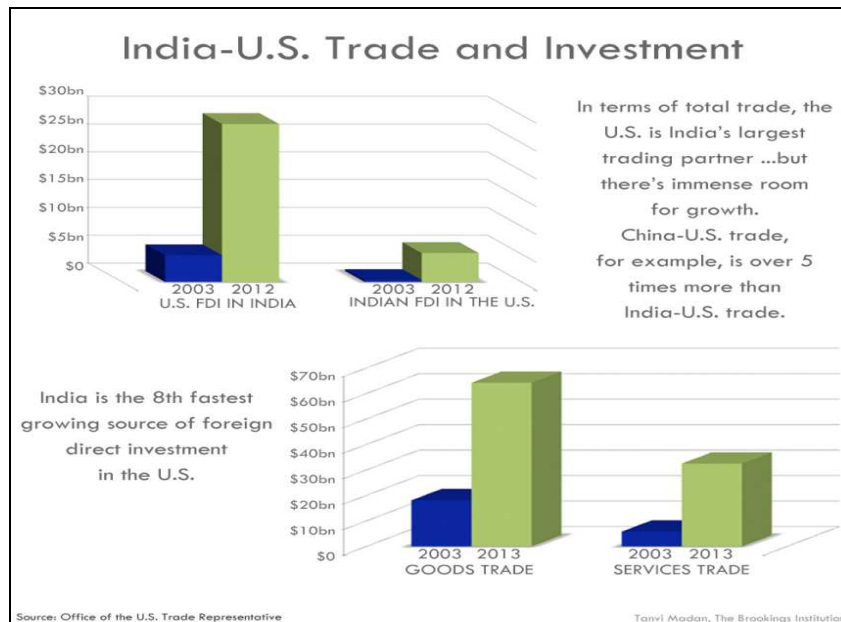


**Source:** Joshua Meltzer, growing the India-US. trade and investment relationship, the Modi-Obama summit: a leadership moment for India and the united states, Brookings, September 2014.

India's GDP is now two trillion-dollars (2015).<sup>29</sup> However, according to critics, India's protectionist policy has subdued its real potential in trade and investment. Joshua Meltzer, a renowned scholar, while commenting on Indo-US relations, says that "India's barrier to trade and investment including lack of intellectual property protection and enforcement continue to undermine the potential of the economic relationship."

Intellectual Property Rights have been among the most contentious economic issues in the bilateral relationship between India and the US. Since long US business interests have been harmed by India's weak and inadequately enforced Intellectual Property Rights. Also, the office of the United States Trade Representative in its special report for 2016, expressed concerns over India's systemic barriers on trade.<sup>30</sup>

**Figure 2**



**Source:** Office of the US Trade Representative and Joshua Meltzer, Growing the India-US. Trade and Investment relationship, The Modi-Obama summit: a leadership moment for India and the united states, Brookings, September 2014.

For instance, from 2003-2012, US trade in goods with China was 5 times more than that with India. As mentioned above, in 2013-14 it rose to 9 times more than that of the US trade with India. South Korea whose GDP is equivalent to just 60% of India's GDP, had a similar level of goods trade with the US in 2013.<sup>31</sup> Figure 2 shows different patterns of the US trade with India.

In 2016, the bilateral trade between India and the US stood at 109 billion dollars.<sup>32</sup> However, it increased in 2018. Table 3<sup>1</sup> shows the Indo-US trade in goods.

**Table 3**  
**Indo-US trade Goods in 2018**

Month	Exports	Imports	Balance
January 2018	2,219.4	4,427.0	-2,207.6
February 2018	2,279.1	3,956.6	-1,677.5
March 2018	2,905.8	4,348.4	-1,442.5
April 2018	2,443.5	4,826.7	- -2,383.3

**Source:** United States Census Bureau, <https://www.census.gov/foreign-trade/balance/c5330.html>.

Up until now, not much has been done to remove the stringent protectionist policies followed by India.

Another factor that impedes bilateral or multilateral trade with India is its weak infrastructure. According to Lee Kuan Yew, the late premier of Singapore, "India is the thickest of rules and regulations and bureaucracy that you have to find your way through. India probably has three to five years to fix its infrastructure. It risks losing out in the global economic sweepstakes."<sup>33</sup> He further says, "India must imitate the effective way in which China has built up its extensive communication and transportation infrastructure power plants and

<sup>1</sup> Appendix Table 1 details Indo-US trade.

water resources and implements policies that lead to huge FDIs (in manufacturing, high job creation and high growth) India's spectacular growth has been in IT Services which do not generate high job creation. The moment India has the infrastructure in place, investment will come in and it will catch up very far. What India needs is a liberalised system which allows more international competition to enter then it will be able to play to the level of international companies."<sup>34</sup>

In order to increase investment on infrastructural development, President Obama and Prime Minister Modi had pledged in September 2014, to establish an infrastructure collaboration platform to enhance participation of the US companies in infrastructural development related projects of India. It is also notable that in the fiscal year of 2016, the Indian government at the domestic level had also intended to increase public investments in infrastructure by 22 percent.<sup>35</sup>

Indian infrastructural growth slowed to 4.2 percent in 2018. Analysts believe that higher borrowing costs and delayed bureaucratic procedures have hampered the progress.<sup>36</sup> Earlier, owing to India's hypersensitivity about its 'self-reliant' policy, India was reluctant to ratify the Trade Facilitation Agreement, which included simplification of customs and other procedures that affect goods crossing borders and limiting of agricultural stockpiling for maintaining food security. Notwithstanding, previous reluctance, India ratified the Trade Facilitation Agreement in April 2016.<sup>37</sup>

India and the US have also elucidated commitment to work through the Trade Policy Forum, (TPF)<sup>38</sup> to promote an attractive business environment for companies to invest and manufacture in the US and India.

Despite limitations within India for foreign investment and business, Prime Minister Modi has always encouraged the foreign investors to 'manufacture' in India. A torchbearer of Modi's plan for



India is his 'Make-in-India' policy. During Modi's first visit to the US, he reached out to the American corporate sector that India is open for business with America.<sup>39</sup>

However, India's domestic compulsions deter foreign companies from operating freely in India. This years-old trait of India of being extra cautious of foreign presence in their territory has also affected the epitome of Indo-US relations, the civil nuclear cooperation deal.

**Indo-US Civil Nuclear Cooperation:  
The Poster Boy of Bilateral Relations<sup>40</sup>**

'India- US civil nuclear cooperation, starting with the July 2005 nuclear agreement and culminating in the formal 123-agreement bill approved by the US Congress and signed into law in the autumn of 2008 was expected to bring an end to the decade's old mistrust of India and the US for each other'.<sup>41</sup>

The US has reservations about India's Civil Liability for Nuclear Damage (CLND) Act of 2010. According to Indian law, the liability for nuclear accidents is assigned to suppliers rather than operators.<sup>42</sup> This law has discouraged American (as well as French and Russian) reactor manufacturers from finalising sales to India. Other than that there is a huge gap between the US and India on the unit energy costs. If these issues remain unresolved, the full implementation of India- US civil nuclear deal, remains a distant dream.

In September 2014, the two leaders fully assured their commitment to implement the US-India Civil Nuclear Corporation agreement of 2008. Both negotiated to establish a Contact Group on advancing the implementation of civil and nuclear energy cooperation in order to ensure the delivery of electricity from the US built a nuclear power plant to India.<sup>43</sup> The main objective of the Contact group was to set a framework for the US Nuclear Industry to enter commercial talks on building nuclear reactors in India by resolving two major concerns- one about inspections the other, as mentioned above, about liability

for a nuclear accident.<sup>44</sup> However, some substantial steps to implement the nuclear deal were taken after Obama's visit to India in January.

### **Cooperation in Managing Climate Change**

Other than strengthening nuclear energy cooperation both leaders agreed to strengthen and expand the US-India Partnership to Advance Clean Energy (PACE).

Both leaders also vowed to use the institutions and expertise of the Montreal Protocol<sup>2</sup> to reduce production and consumption of hydrofluorocarbons (HFCs). During the visit, Prime Minister Modi had also agreed to sign an agreement on climate change in Paris by the end of 2015.

Other than vowing and signing agreements on cooperation related to climate change, a memorandum of understanding between the US Exim Bank and Indian Renewable Energy Development Agency (IREDA) was also concluded in November, 2014 to provide 1 billion dollars to support the Indian government's efforts to facilitate transition towards a low carbon and climate resilient energy economy.<sup>45</sup>

During the visit, Obama and Modi said they would jointly work to boost manufacturing and expanding of affordable renewable energy. However, Modi still faces a challenge to provide electricity supply to more than 350 million impoverished citizens.<sup>46</sup> However, the Trump administration sabotaged the Indo-US cooperation in the domain of climate change.

### **High Technology, Space, and Health Cooperation**

The Indian and US leadership acknowledged that cooperation in the high technology area is a critical pillar of the strategic partnership. President Obama appreciated India's proposal to

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<sup>2</sup> a protocol to the Vienna Convention for the Protection of the Ozone Layer- is an international treaty designed to protect the ozone layer by phasing out the production of numerous substances that are responsible for ozone depletion

establish a global initiative of academic networks (GAYAN or knowledge) under which India would invite and host up to 1000 American academics to teach each year in centrally recognised Indian universities.

India and the US also launched their Mars Mission in September 2014. Therefore, President Obama and Prime Minister Modi looked forward to a successful conclusion of a new agreement to support the National Aeronautics and Space Administration (NASA) and the Indian Space Research Organisation (ISRO) to induce synthetic aperture radar (Nisar) mission to be launched in 2021.

### **Cooperation in the International Arena**

President Obama showed commitment to endorse India's phased entry into the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement on Export Control of Conventional Arms and Dual-Use Goods and Technologies and the Australia Group (that aims to curb exports that might induce chemical or biological weapon programmes).

During the visit, India's "Act East" policy was much appreciated by the US as it corresponded to US policy of rebalancing the structure of power in Asia. Both the leaders committed to working more closely with other Asia Pacific countries. Especially, they highlighted their trilateral dialogue with Japan, which aims at establishing a trilateral security arrangement on the pattern of the North Atlantic Treaty Organisation (NATO). President Obama stressed upon the need to accelerate regional connectivity by introducing the concept of an economic corridor linking South, South-East and Central Asia.

While brokering Indian interests with the US Prime Minister Modi also reached out to the Jewish community within the US.

The gist of his message as spread by the American Jewish Committee was that India, Israel and the US form a natural alliance.<sup>47</sup>

India is eager to modernise its defence. It is more likely that the Indo-Israel defence cooperation would further expand. Further, Israel

had been second, after Russia, in exporting arms to India from 1999-2008 (Table 1). Nevertheless, India is being generously supported by the US in the area of defence.

### Defence Cooperation

Defence cooperation has always been pivotal in any strategically important partnership. During the visit, Prime Minister and President Obama revitalised their commitment to bolster Indo-US defence cooperation. It was decided to renew the 2005 framework for the Indo-US defence relationship for 10 more years.

Both leaders vowed to establish a Task Force to expeditiously evaluate and decide on unique projects and technologies which could enhance and transform India's military capability. The leaders also vowed to share intelligence regarding the persistent threat of terrorism in the region with each other. They also agreed to upgrade their bilateral exercise MALABAR. Figure 3 below shows various Indo-US defence exercises.<sup>48</sup>

**Figure 3**



**Sources:** Tanvi Madan, "India-U.S. Relations in 16 Charts and Graphics," Brookings, 23 January 2015.

President Obama and Prime Minister Modi stressed upon a dire need to dismantle and disrupt all financial and tactical support for militant networks such as Al Qaeda, Lashkar-e-Taiba, Jaish-e-Muhammad, the D-Company, and the Haqqanis. The Mumbai attack in November 2008, which was allegedly launched by Pakistan was also discussed during the meeting. The leaders reiterated their stance on Pakistan to bring the perpetrators of the Mumbai attack to justice.<sup>49</sup>

After just three months of the Modi-Obama meeting in Washington, Prime Minister Modi invited President Obama to celebrate the Republic Day of India. President Obama accepted the invitation. It was Obama's second visit to India. Below is a chart that shows visits of the US presidents to India. (Figure 4)

**Figure 4**



**Source:** Tanvi Madan, "India-U.S. Relations in 16 Charts and Graphics," Brookings, 23 January 2015.

#### **Obama's Visit to India**

*"SanijhaPrayaas; Sab KaVikaas"*  
*(Shared effort; Progress for All)*

Barack Obama along with Michelle Obama visited India from 25 to 27 January 2015. The US president was the chief guest at India's 66<sup>th</sup> Republic day celebrations; the first US president to grace such an occasion. This is also unprecedented for any the US president to visit the same country twice in his tenure.

During the visit of President Obama in 2015, both leaders pledged to translate their commitment of "chalein sath sath"; "Forward Together We Go" of September into the implementation phase through "Sanijha Prayaas; Sab Ka Vikaas" Shared effort; Progress for All. Revising the pattern of the September 2014 meeting, issues ranging from cooperation in economic, defence, health and social sectors to technological development and management of climatic changes were discussed.

### **Economic Cooperation**

Prime Minister Modi and President Obama expressed confidence that continued bilateral economic cooperation will find new avenues for investment, trade, job creation and prosperity for both countries. The leaders committed to continue cooperation on finalising the Post-Bali-Work Programme in the spirit of the Doha mandate.<sup>50</sup> Under the Post Bali Work Programme, the US has demanded from both China and India to cut subsidies on agricultural products to give enhanced market access for five products: beef, pork, poultry products, wheat and corn. It is yet to be seen whether India succumbs to the US demands or not.

During the meeting, both leaders deliberated upon the fifth annual US-India Economic and Financial Partnership Dialogue, which is supposed to deepen bilateral negotiations on macroeconomic policy, financial regulation and development, infrastructure investment, tax policy and efforts to combat money laundering and terrorist financing.<sup>51</sup> The two sides also agreed to discuss the elements required in the US and India to pursue the Totalisation Agreement.<sup>52</sup> Totalisation Agreements are the agreements of the US with several

nations for the purpose of avoiding double taxation of income with respect to social security taxes.

President Obama immensely appreciated Prime Minister's "Jan Dhan" scheme. Its main objective is to prioritise and ensure the inclusion of the poor in the economic progress of the country. Moreover, he also noted India's intent to join the Better Than Cash Alliance.<sup>53</sup>

President Obama and Prime Minister Modi also agreed to collaborate in the implementation of India's ambitious Digital India programme.

As noted in the September 2014 meeting, weak intellectual property rights law was a bone of contention between the US and India. During Obama's visit to India also, the leaders looked forward to enhancing their engagement on improvement and proper implementation of Intellectual Property Rights (IPR). This task was handed to a High-Level Working Group on intellectual property. In December 2014, the United States Trade Representative (USTR) prepared a report on India's Intellectual Property Rights. In that report, India's efforts for having a "meaningful, sustained and effective" dialogue on IPR were lauded.<sup>54</sup>

### **Cooperation in Smart City Projects**

Modi, at the start of his tenure as the Prime Minister, promised to build 100 smart cities in India. These satellite cities are envisioned to become magnets of foreign investment and jobs. The Indian government urged the US industry to be a lead partner in developing smart cities in Ajmer (Rajasthan), Vishakhapatnam (Andhra Pradesh) and Allahabad (Uttar Pradesh). During President Obama's visit to India, three pacts were signed between India and the US for making a significant contribution to building such cities. These pacts were signed with the United States Trade and Development Agency (USTDA). 'USTDA will contribute funds for necessary feasibility studies

and pilots, study tours, workshops or trainings and other projects to be mutually determined'.<sup>55</sup>

### **Technological, Space and Health Cooperation**

The president and the prime minister also committed to enhancing partnership in improving India's communication system by optimising India's civil aviation infrastructure. Therefore, it was affirmed that the US and India will continue consultations between the Federal Aviation Administration (FAA) and the India Directorate General of Civil Aviation (DGCA) to ensure international safety standards set by the International Civil Aviation Organisation (ICAO), with the aim of restoring Category I<sup>3</sup> status at the earliest possible time.<sup>56</sup>

Prime Minister Modi and President Obama reaffirmed their commitment to ensuring partnership in science, technology and innovation as they stand as the central component of Indo-US relations. Hence, the ISRO and NASA Mars Working Group held a meeting from 29 to 31 January 2015 in Bangalore to enhance cooperation in exploring Mars.<sup>57</sup> The idea of launching an Indo-US Climate Fellowship was also discussed during the Modi-Obama meeting. An agreement between the US Department of Energy and the Department of Atomic Energy of India was also concluded to accelerate research and development.<sup>58</sup>

In the health sector, both leaders reaffirmed their commitment to the Global Health Security Agenda (GHSa) and announced specific actions to contain and prevent the spread of infectious diseases.<sup>59</sup> Under the ambit of GHSa, a locally produced vaccine against rotavirus will save the lives of an estimated 80,000 children each year in India.

### **Defence and Homeland Security Cooperation**

The ongoing Defence Technology and Trade Initiative (DTTI) between the two countries was lauded during the meeting. The US is

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<sup>3</sup> A Category 1 rating means the country's civil aviation authority complies with ICAO standards.



pushing hard to induce "transformative defence technologies" for co-development and co-production with India under DTTI. This can become the hallmark of the Modi government's 'Make-in-India' initiative. President Obama also appreciated Prime Minister's initiatives to liberalise the Foreign Direct Investment Policy regime in the defence sector. Figure 5 shows a teething increase in Indo-US defence trade over the years

**Figure 5**



**Source:** Tanvi Madan, "India-U.S. Relations in 16 Charts and Graphics," Brookings, 23 January 2015.

**Cooperation in Maritime Security**

A substantial initiative was taken by defining a Framework for India-US Defence Relationship in 2015. Within this framework, the navies of India and the US would expand their Maritime cooperation. A renowned strategist, Ashley Tellis, is of the view that India is becoming more integrated globally. Hence, the country would be more dependent than before on the ocean.<sup>60</sup>

Recognising the growing importance of the Indian Ocean, India is keen to strengthen its strategic partnership with the US to

establish its influence in the area. On the other hand, for unhindered connectivity in an increasingly interdependent world, the US also wants India to become a “net security provider” for the region.<sup>61</sup> How and when it will happen, is yet to be seen.

However, if such a development takes place, it would be highly devastating for the region. It is presumed that Pakistan still stands as a bone of contention in the strengthening of Indo-US relations. The US needs Pakistan in Afghanistan; therefore, it cannot simply relinquish strategic interests of its non-allied ally.

### **Civil Nuclear Deal**

As discussed earlier a Contact Group was established after the September 2014 meeting whose mandate was to realise and analyse the need to deliver electricity from the US built nuclear reactors to India. The Contact Group had met twice before the January 2015 meeting, to negotiate and clear the hurdles in the building of the US nuclear power plants in India.<sup>62</sup>

Interestingly, in the joint statement of the two leaders, it is mentioned that understanding has been reached on the issues of civil nuclear liability and administrative arrangement for civil-nuclear cooperation and the US is eagerly looking forward to building nuclear reactors contributing to India’s nuclear energy at the earliest.<sup>63</sup> However, the details of this agreement remain hidden. When Prime Minister Modi was asked to share details of the agreement, he retorted by quoting a Hindi song “parde mein rehne do parda na uthao” (let it be behind the curtain)<sup>64</sup>.

The Communist Party of India has long criticised the Indo-US nuclear deal. They are still reluctant to give any leverage to nuclear suppliers of the US. They want the implementation of strict laws to hold the US companies accountable for any nuclear accident in India. Jogendra Sharma, who is a senior member of the Communist Party of India, clearly said, “we want strict laws as to will hold US companies

accountable to pay compensation to the victims in the event of a nuclear accident."<sup>65</sup>

The need for supplier's liability emerged in the backdrop of the Fukushima nuclear plant disaster in Japan. It raised a question that who would bear the liability for the possible damage of a nuclear reactor. However, the US manufacturers and even Indian suppliers raised concerns over India's Civil Liability for Nuclear Damages Act (CLND) law saying that 'it would be unviable for them to conduct nuclear business in India with the risk of that kind of liability being "channelled" to the suppliers'.

However, India has overcome its domestic compulsions and the Trump administration has given a go-ahead to Westinghouse to finish its nuclear plants in India. <sup>66</sup> Energy has always been a top priority for India. Therefore, special attention was given on seeking cooperation in the energy sector.

### **Clean Energy Goal and Cooperation**

Since 2005, India and the US have been engaged in a high-level dialogue to increase bilateral trade and investment in the energy sector. India intends to increase its electricity production through solar energy up to 100 gigawatts by 2022. The US is willing to support India's goal of becoming an energy sufficient country. Therefore, India and the US have taken the following initiatives:

- i. Expanding Partnership to Advance Clean Energy Research (PACE-R): a renewed commitment to PACE-R, including extending funding for three existing research tracks of solar energy, building energy efficiency, and biofuels for an additional five years
- ii. Expanding Partnership to Advance Clean Energy Deployment (PACE-D): Both the countries intend to expand current Partnership to Advance Clean Energy Deployment (PACE-D) through increased bilateral engagements and further joint initiatives to expand cooperation in support of India's ambitious targets in renewable energy.

- iii. Accelerating Clean Energy Finance: Prime Minister Modi emphasised India's ongoing efforts to create a market environment that will promote trade and investment in this sector.
- iv. Launching of an Air Quality Cooperation: this programme is intended to focus on disseminating information to help the urban dwellers to reduce their exposure to harmful levels of air pollution, and enable urban policy planners to implement corrective strategies for improving Ambient Air Quality in the cities keeping in view health issues and climatic changes
- vi. Demonstrating Clean Energy and Climate Initiatives on the Ground: Additional pilot programs and other collaborative projects will be initiated in the areas of space cooling, super-efficient appliances, renewable energy storage, and smart grids.
- vii. Concluding MOU on Energy Security, Clean Energy and Climate Change: Both countries concluded negotiations on a five year MOU to carry this work forward, to be signed as early as possible at a mutually agreed upon date.<sup>67</sup>

There is also an Indo-US dialogue going on to ease imports of Liquefied Natural Gas (LNG) from the US.<sup>68</sup>

The development of shale gas has been transformative for not only the US but for the entire world. India also wishes to augment its energy resources by exploiting the US expertise in utilising shale gas as an alternate energy resource. However, there is little or no progress in this domain.

### **Utilising Diaspora Diplomacy**

During Modi's meeting with President Obama in January, the latter announced 'a new public-private partnership – The Indian diaspora Investment Initiative' – aimed at helping Indian Americans to invest in India. Ram Madhav, general secretary of the ruling Bharatiya Janata Party (BJP) while commenting on the initiative said,

"We are changing the contours of diplomacy and looking at new ways of strengthening India's interests abroad," "They can be

India’s voice even while being loyal citizens in those countries. That is the long-term goal behind the diaspora diplomacy. It is like the way the Jewish community looks out for Israel’s interests in the United States.”<sup>69</sup> Figure 6 shows the number of Indians living in the US.

**Figure 6**



**Source:** Tanvi Madan, “India-U.S. Relations in 16 Charts and Graphics,” *Brookings*, 23 January 2015.

**People-to-People Contact**

India has allowed visitors from 43 countries, including the United States, Australia and Fiji, to receive visas upon arrival, replacing the previous process, which took weeks. Figure 7 depicts the diverse range of travellers in India, with US citizens making up 16 percent of the total.

**Figure 7**

**Source:** Tanvi Madan, "India-U.S. Relations in 16 Charts and Graphics," Brookings, 23 January 2015.

Today, India has become a tourist hub. President Obama appreciated India's new attitude towards foreigners during his visit.

### **Modi's Second visit to the US to boost Startups, Technology, and Innovation in India**

In September 2015, Prime Minister Modi again visited the US to address a UN General Assembly session and the Indian- American community at Silicon Valley. This time, various critics pilloried the Prime Minister for 'another' extravagant visit. This time also, the Prime Minister used his 'hug diplomacy'; however, the new captive was the technology guru, Mark Zuckerberg. He told the audience of some 18000 Indian expats that India is a 'heaven for investors and he wishes to make India a 20 trillion-dollar economy.'<sup>70</sup>

#### **Indian Premier's Display of 'Hug' Diplomacy**



**Source:** Srinivisen Ramani, "Modi, Zuckerberg on the same page," *The Hindu*, 28 September 2015.

It is worthy to note that Mark Zuckerberg in response to Prime Minister's Modi gestures visited New Dehli in October 2015. He enthusiastically launched a campaign of 'Free Basics', free internet for all' in India. However, under this offer, there was a caveat; access to some sites was restricted for the user. Hence, Indian authorities rejected the offer on the principled stance that internet should be provided on the foundation of 'net neutrality'.<sup>71</sup>

Some people in India believed that this initiative would breach the right of free choice of Indian citizens to visit any site on the internet. Contrary to what was envisaged by the Facebook leadership, Facebook faced sheer disappointment in India. During the visit, Modi also met Tim Cook, head of Apple and Indian born heads of Google, Adobe and Microsoft.

### **Modi's Third visit to the US in June 2016**

In recognition of increasing Indo-US ties, Speaker of the House of Congress, Paul Ryan invited the Indian Premier to address the joint

session of Congress on 8<sup>th</sup> June 2016. Since 1989 every full prime minister of India has addressed the joint session of Congress. However, considering the fact that Modi was alleged to be complicit in the massacre of Muslims in 2005 and was barred by the US from entering the US, this invitation endorsed the theory of realism, morals have no place in international relations.

During this visit, Prime Minister Modi also met President Obama. In the meeting, it was decided that India would become a 'Major Defence Partner' of the US. The joint statement issued by both leaders revealed that this status is 'unique' for India exclusively. To materialise the intentions expressed in June by both leaders, the Indo – US relationship has now been institutionalised by the US. In December 2016, the US Senate cleared a bill which characterised India as a Major Defence Partner of the US.<sup>72</sup>

Pakistan had enjoyed the status of 'non-NATO ally of the US, however, in contemporary times when China is asserting its 'soft' power and intends to invest heavily in Pakistan, Pakistan is ready to become a 'client' of China. Consequently, the US is eager to give patronage to India's regional and global ambitions.

This visit was significant as it further expanded Indo-US military cooperation. In August 2016, India and the US had signed the 'Logistics Exchange Memorandum of Agreement. This pact will make India and the US 'logistical partners' against China, 'which is currently making a bold power grab in the South China Sea.'<sup>73</sup> This agreement would allow India and the US, to use each other's military facilities. (services, spare parts and refuelling).

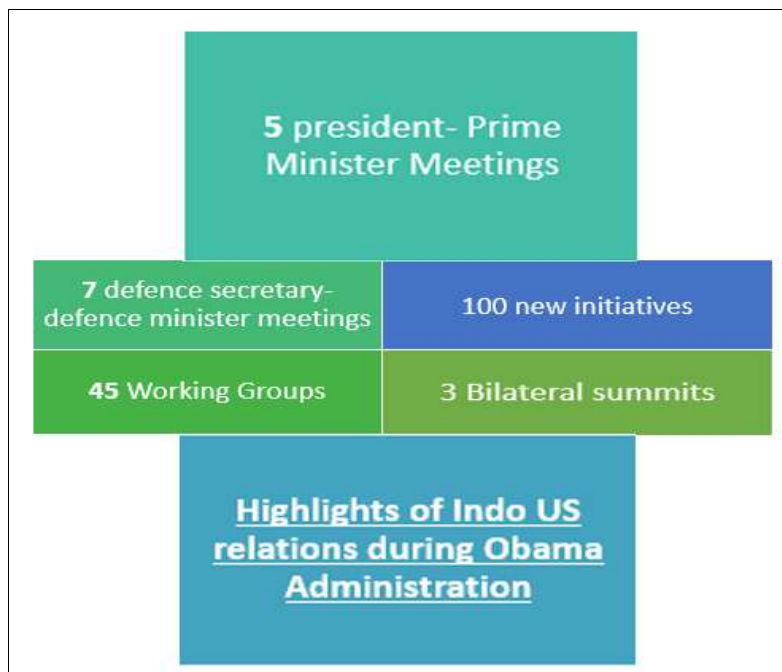
It implies that the US would use military bases of India and India would be able to operate from the US bases around the globe. Two other agreements- the Communication Interoperability and Security Memorandum of Agreement (CISMOA) and Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA)



aiming at further strengthening of Indo-US military ties, are still under consideration.

Prime Minister Modi's 'Make in India' initiative kicked off when the Indian government offered to buy more than 200 fighter jets from foreign countries if they are 'made in India'.<sup>74</sup> Eventually, two major companies Lockheed Martin and Boeing were ready to offer their services within India, as India wishes to upgrade its ageing fleet of fighter jets. Lockheed Martin has offered to move its entire 'assembly line from Texas to India, making India the sole producer of the single-engine combat aircraft (F-16).<sup>75</sup> Figure 8 shows highlights of Indo US relations during Obama Administration.

**Figure 8**



**Source:** Author's own.

However, the new administration of President Donald Trump has shown concerns over loss of jobs in the US. The company Lockheed Martin maintains that production of the antiquated F-16 has already

stopped in the US as it is now manufacturing the more advanced fighter jets, F-35 and its variants in the US.

### **Ab ki bar Trump Sarkar**

President Trump won the elections on a 'far right' agenda, the same goes for Prime Minister Modi. He explicitly said during his election campaign that he is a friend of Hindus and Indians. It would have been more appropriate if he used the word 'Indians' alone. It seems as if politics of the far right is gaining prominence in the US it's like a new parallel in Indo-US relations. However, the travel restrictions imposed by President Trump would likely affect Indians as well. The H1-B Visa<sup>4</sup> restrictions increasingly affect the IT industry of India in the US.

Trump has not yet visited India, however, his daughter Ivanka Trump, who is also a senior advisor to the Trump administration visited India in November 2017. She led the American delegation to the eighth Global Entrepreneurship Summit (GES) in Hyderabad, more than 1500 business owners, investors educators and government officials participated. Her visit is of little significance as no groundbreaking development took place between India and the US afterwards.

In June 2017, Trump invited Prime Minister Modi to visit the US. It was Modi's fourth visit to the US.

### **Modi's Fourth Visit to the US in June 2017**

During this visit, President Trump reiterated US support for India, but, at the same time, expressed 'concerns' about the interests of the US. It is more likely that Trump would question the protectionist policies of India and push for favourable tariffs for export of the US goods to India. However, the following are some important takeaways of Modi's visit to the US:

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<sup>4</sup> The US H-1B visa is a non-immigrant visa that allows US companies to employ graduate level/or highly educated workers in specialty occupations that require theoretical or technical expertise in specialized fields such as in IT, finance, accounting, architecture, engineering, mathematics, science, medicine, etc.

- The US cleared the sale of 22 unmanned drones to India
- LNG shall start flowing from the US to India in the next year
- The US shall pull out from the landmark Paris accord on climate change
- Bashing Pakistan <sup>76</sup>

This time Prime Minister Modi was successful in influencing Trump to speak the Indian mind regarding Pakistan. Trump who also shares P.M Modi's vision of far-right politics, stressed upon Pakistan to 'ensure that its territory is not used to launch attacks on other countries'. India is a sceptic of Pak-China cooperation in defence and economic sphere, therefore, its diplomatic machinery was working hard to influence the US for pressurising Pakistan. Trump, being an impulsive person, was carried away by Indian propaganda and went on to criticise Pakistan, which had been a victim of terrorism and suffered the most in the war against terrorism.

India used the terrorism card against Pakistan to present the international community from investing in Pakistan. President Obama was careful in balancing US relations with both India and Pakistan. President Trump, however, damaged US relations with Pakistan.

It is also worthy to note, that peace in Afghanistan is questionable if Pakistan's assistance is not sought. The US may want India to step into Afghanistan not only logistically, but also militarily. They may also want the presence of Indian troops in Afghanistan. However, it would be a distant dream, as elections in India are approaching in 2019, and the Modi government would not want a battle, that could not be justified to the 'junta' at this crucial time. Given the internal situation in India, where Kashmir is a bleeding wound, India would refrain from jumping into the Afghanistan quagmire. This persistent, most likely reluctance of India to save itself from aligning with the US interest in the region, might also impact Indo-US relations.

### **Conclusion**

Since 2005, Indo-US relations had been enthusiastic but sporadic. However, under the leadership of the new Indian Prime Minister Narendra Modi, a consistency is seen in the bilateral relationship. In the first year of Modi's term as Prime Minister, he met President Obama twice. This development is indeed unprecedented in the history of Indo-US relations. The above discussion has portrayed that India and the US have a considerable array of mutual interests. Various significant steps have been taken on the part of the US to help India become a formidable strategic partner of the US in the region. In order to reach its true potential, India may fearlessly embrace the new economic world order which accepts competition, appreciates innovation, and focuses on growth.

Earlier, Indo-US relations had a chequered history. In the Cold War era, India grew closer to the then Soviet Union and disengaged with the US and the rest of the West. There was an ideological stagnation prevalent in India based on a bias against the West. Colonialism has had a great impact on India's foreign policy. However, inward-looking India had never been promising for its masses. Eventually, India opened up to the world to embrace immense opportunities offered by the new globalised world.

The previous government of Congress under the leadership of Manmohan Singh failed to capitalise upon the extraordinary opportunities created by the Bush government for India. However, Modi's accession to power is indeed a harbinger of change in India. His leadership might end India's ambivalence towards the US. However, still, the clouds of bureaucratic hurdles, rampant corruption, and petty political gains can be seen in the future for the Indo-US bilateral relationship.

It is also evident that Indo-US relations were thriving under the Obama administration. Yet they became slightly unstable during the Trump era. President Trump's actions like restrictions on visas and the

promotion of the 'America First' policy have negatively impacted upon Indo US relations. Nonetheless, Indo-US bilateral relations in terms of trade, infrastructure and technological development, poverty reduction, health, and defence are promising. However, factors like Trump's impulsive personality, India's relations with Iran and Russia, Pakistan's relations with China and Russia, and the Afghanistan quagmire, in tandem, are likely to shape Indo-US relations in future.

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***Appendix***

**Table 4**  
**Indo US trade in goods since 1985**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>
	<b>US \$ million</b>	<b>US\$ million</b>
<b>2015 (July)</b>	12,921.4	27,090.8
<b>2014</b>	21,607.5	45,244.0
<b>2013</b>	21,811.4	41,808.5
<b>2012</b>	22,105.7	40,512.6
<b>2011</b>	21,542.2	36,154.5
<b>2010</b>	19,248.9	29,532.9
<b>2009</b>	16,441.4	21,166.0
<b>2008</b>	17,682.1	25,704.4
<b>2007</b>	14,968.8	24,073.3
<b>2006</b>	9,673.6	21,830.8
<b>2005</b>	7,918.6	18,804.2
<b>2004</b>	6,109.4	15,572.0
<b>2003</b>	4,979.7	13,055.3
<b>2002</b>	4,101.0	11,818.4
<b>2001</b>	3,757.0	9,737.3
<b>2000</b>	3,667.3	10,686.6
<b>1999</b>	3,687.8	9,070.8
<b>1998</b>	3,564.5	8,237.2
<b>1997</b>	3,607.5	7,322.5
<b>1996</b>	3,328.2	6,169.5
<b>1995</b>	3,295.8	5,726.3
<b>1994</b>	2,293.8	5,309.6
<b>1993</b>	2,777.9	4,553.6
<b>1992</b>	1,917.1	3,779.7
<b>1991</b>	1,999.4	3,192.4
<b>1990</b>	2,486.2	3,196.8
<b>1989</b>	2,457.5	3,314.4
<b>1988</b>	2,500.1	2,939.5
<b>1987</b>	1,463.6	2,528.4
<b>1986</b>	1,536.2	2,283.2
<b>1985</b>	1,641.9	2,294.7

**Sources:** <https://www.census.gov/foreign-trade/balance/c5330.html> and US Census Bureau, Foreign Trade. All figures are in millions of US dollars on a nominal basis, not seasonally adjusted unless otherwise specified. Details may not equal totals due to rounding.

# OCEAN ECONOMY PLANNING: ADAPTABILITY OF THE “BLUE ECONOMY” MODEL IN BANGLADESH MARITIME CONTEXT

ABUL KALAM

## Abstract

*Ocean economy planning has lately acquired urgency and spurred the concept of 'Blue Economy'. Maritime countries like Bangladesh have evinced interest in it to safeguard and advance their oceanic destiny. Following successive international maritime verdicts (2012/2014) largely favourable to Bangladesh, it has embraced Blue Economy as a strategic approach to access the resources underneath its newly acquired oceanic possessions. However, concerns arise whether pertinent conceptual issues are appropriately appraised and managed; whether critical empirical issues are measured, and whether the actions for maritime planning currently underway represent the progression required to overcome the emerging ecosystemic threats or building of what is enshrined under the Blue Economy. With a view to evaluate such issue areas, the paper offers a fuller clarity of a sustainable ocean economy and other pertinent notions, identifies key conceptual issues, and relates them to the developmental thrusts under the Blue Economy that are currently underway. Finally, it reflects on the adaptability of the Blue Economy model, as Bangladesh pursues policies to fix its oceanic destiny. Thoughts are also offered on the challenges that may circumvent successful implementation of the Blue Economy planning in Bangladesh. Against this backdrop, the current contexts of Bangladesh's ocean economy planning and the criteria chosen are scrutinised, underlining several cases where the projects embarked under the Blue Economy model seem incompatible with that model's objective features and may impede sustainable ocean economy planning towards fixing the country's maritime destiny. Tentative ideas are floated to sensitise Pakistan in its ocean economy planning.*

## **TROUBLED INDIA-PAKISTAN RELATIONS AND MAJOR STUMBLING BLOCKS IN THE PEACE PROCESS**

**NABILA JAFFER**

### **Abstract**

*The prospects for peace between India and Pakistan further diminished after their relations entered into a new phase of antagonism in 2016. India stressed the issue of terrorism more forcefully as a principal irritant in bilateral relations after the Uri terrorist attack in Indian Held Kashmir (IHK) in September 2016. The growing gulf on core issues between the two countries and attaching peace with a one-point agenda has acted as a disincentive for the peace process. India has refused to engage with Pakistan despite Pakistan's repeated overtures and has continued to blame Pakistan for the turmoil in IHK as well as sporadic terrorist attacks. The existing tense relations between India and Pakistan are a product of longstanding grievances and changing dynamics in Indian power and policy. India's transition from Nehruvian secularism to communal and Hindutva politics has further complicated its political engagement with Pakistan. Since the dialogue process cannot be resumed in such circumstances, the prerequisite for the peace process is normalisation in relations. In the backdrop of the troubled relations between India and Pakistan, this paper attempts to analyse the major stumbling blocks to the peace process. The paper is divided into three sections. After an overview of the troubled relations between India and Pakistan post-2014, the first section analyses the core issues between the two countries. In order to understand why the core issues have become stumbling blocks, the second section examines the contributing factors to the persistence of rivalry. The third section proposes options for normalisation of relations and the peace process.*

# THE EVOLUTION OF INDIAN NUCLEAR POLICY

**KHURRAM MAQSOOD AHMAD**

## **Abstract**

*Indian nuclear policy has evolved over time through different phases of nuclear weapon development. This process has been slow but consistent. Prestige and technological factors, as well as domestic politics, have been the core drivers of Indian nuclear development along with security. These drivers have been operational during different phases of Indian nuclear development. Decision-making about Indian nuclear policy has been restricted to the top leadership, bureaucracy, and scientists. Its evolution has fluctuated between the ideologies of these actors. Nehru was a Gandhian at heart but he was pragmatic in a sense that he started the peaceful nuclear programme in India with a view that it would help India in making a nuclear weapon at a later stage when required. Although the scientists have been staunch supporters of nuclear weapons, the political leaders had been hesitant to endorse them until the perception changed about nuclear weapons and they started to be considered as a source of national prestige. The aim of the Indian nuclear policy is to correspond to the overall worldview of India as a great civilisation and its projection as the largest democracy.*

## LITERARY PERSPECTIVES ON BEING RICH IN SOUTH ASIA

RASIB MAHMOOD, SHAHEEN KHAN,  
AND KAINAT ZAFAR

### **Abstract**

*Economic conditions play a vital role in determining the behaviours of individuals, as well as communities. Marvin Harris and Henry Hazlitt are major theorists who have shown that. Their theory is highly applicable, especially to South Asian literature, which is a reflection of postcolonial as well as trans-cultural societies. This research paper is an investigation into the relationship between economics and social behaviour with reference to Pakistani novelists who have sketched the picture of the class difference in South Asia, especially in Pakistan. Moth Smoke (2000) and How to Get Filthy Rich in Rising Asia (2013) by Mohsin Hamid and The Unchosen (2002) by Riaz Hassan vitally apply to all South Asian countries. The novels reflect gradual changes in human behaviour towards money. Money, especially lack of it, plays a vital role in shaping and reshaping the morality and ethics of different classes of society. The paper also studies the effects of 'alienation' on the economically under-privileged created by a capitalist system and how imaginary identification with exploitative and unnatural social and cultural practices perpetuates class divisions.*